

CLASPO SUMMER RESARCH FUNDS.
STRATEGIES OF SOCIAL PROTECTION
OF LOWER-MIDDLE INCOME GROUPS IN CHILE.
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Introduction.

The following pages constitute a first approach to the development of a study about labor market and social security in Chile. The study focuses in lower-middle income people, since they may be in the most unprotected situation given the current design of the Chilean social security system. This project's field research was conducted in Santiago during June and July, 2005, thanks to the financial support of Claspo and the Tinker Foundation. In Santiago, the fieldwork started with interviews with policy makers and researchers. Those conversations helped me to delineate a qualitative design I used to approach lower-middle income people affected by the problem of social security. The fieldwork continued with in depth interviews to head of households. I collected a vast amount of useful information and developed new insights about the potential and constraints of the research questions I started with.

The report began with an historical contextualization of the problem and a brief theoretical and historical framework for the research. Then research question is raised and the objectives and hypotheses of the study are introduced, following with a discussion of the methodological aspects and a description of the work conducted in the field. To conclude, some initial findings are presented, as a way to approach the objectives and hypotheses directing the study.

The Context.

Over the last twenty years of the twentieth century, a series of neoliberal economic and social policies were run in Chile. These changes replaced the economic model from an import substitution model (ISI) to an open-economic model, which has its core in exportations and in the action of the private sector. Such a change was achieved mainly because of the collapse of the previous model at the middle of the '70s and the unfavorable international environment at the end of the '70s and the early '80s. The adjustment was made under the context of a military government, which extended from 1973 to 1990. The most important economic changes were made in the period 1975-1981. The adjustment had a high social cost in its first stage, especially in terms of unemployment, but after that it was able to bring back good macroeconomic indicators, as seen in Table 1. Overall, the GDP grew, the inflation was drastically reduced and the unemployment decreased, even though the pattern of reduction is less clear for the latter.

Table 1: Evolution of inflation GDP and unemployment, Chile, 1975-2004.

Year	% growth of the GDP	Inflation(%)	Unemployment rate(%)
1975	-13.3	343.3	14.9
1976	3.2	198	12.7
1977	8.3	84.2	11.8
1978	7.8	37.2	14.2
1979	7.1	38.9	13.6
1980	7.7	31.2	10.4
1981	6.7	9.5	11.3
1982	-13.4	20.7	19.6
1983	-3.5	23.1	14.6
1984	6.1	23	13.9
1985	3.5	26.4	12
1986	5.6	17.4	12.3
1987	6.6	21.5	11
1988	7.3	12.7	9.9
1989	10.6	21.4	8
1990	3.7	27.3	7.8
1991	8	18.7	8.2
1992	12.3	12.7	6.7
1993	7	12.2	6.5
1994	5.7	8.9	7.8
1995	10.6	8.2	7.4
1996	7.4	6.6	6.5
1997	7.4	6	6.1
1998	3.4	4.7	6.2
1999	-1.1	2.3	9.7
2000	4.6	4.5	9.2
2001	3.5	2.6	9.1

2002	2.2	2.8	8.9
2003	3.1	1.1	8.5
2004	5.9	2.4	8.8

Source: Larrain and Vergara, 2000 and Central Bank of Chile

Two fundamental pillars of the re-building of the Chilean economy were the labor market reform and the social security reform, which are described bellow.

i. The Labor Market Reform.

In the view of the reformers, it was necessary to adapt the Chilean labor market, highly protectionist before the military government, to the new, open economic scenario. One of the bases of the economic transformation plan was having a more flexible and unregulated labor market. A legal reform was made in order to get it. This reforms included the suppression of monopolies and privileges certain occupational groups had, the relaxing of laws regulating firing and compensation procedures, as well as collective negotiation and unionization, and the exclusion of the state in the determination of wages in the private sector (excepting for the minimum wage) (Coloma and Rojas, 2001).

Under this legal frame, the economic adjustment imposed competition as a principle, challenging the protected manufactory sector of the ISI period. A big number of private firms were not able to overcome the challenge, going to bankruptcy, while the survivors started a severe rationalization process. At the same time, public employment was importantly reduced. It can be said that, in spite of the initially high rates of unemployment it produced, the new economic model has expanded the labor opportunities, but at the same time it has transformed the labor market (Sabatini and Wormald, 2003). Taking a look at the productive structure during the last thirty years, in terms of sectors of economic activity, shows that the number of people working in agriculture and in the public sector has been reduced, whereas the number of people working in the private, service sector has increased, as seen in Table 2.

Table 2: Employment by Sector of Economic Activity, Chile, 1975-2003.

Sector	1975	1980	1985	1990	1995	2000	2003
Agriculture, hunting, forestry and fishing	21.6%	16.3%	20.2%	19.3%	15.7%	14.4%	13.6%
Mining and quarrying	3.1%	2.2%	2.3%	2.3%	1.8%	1.3%	1.3%
Manufacturing	16.8%	16.1%	13.3%	16.1%	16.3%	14.0%	14.0%
Electricity, gas and water supply	0.8%	0.8%	0.7%	0.5%	0.5%	0.5%	0.5%
Construction	4.5%	4.6%	3.9%	6.4%	7.5%	7.5%	7.5%
Wholesale and retail trade and restaurant and hotels	14.6%	18.1%	17.3%	17.7%	18.5%	18.5%	18.8%
Transport, storage and communications	6.5%	6.5%	5.8%	6.9%	7.7%	8.0%	8.5%
Financing, insurance, real state and business services	2.6%	3.1%	4.1%	4.5%	6.4%	7.9%	8.0%
Community, social and personal services	28.9%	32.1%	32.4%	26.3%	25.6%	27.8%	27.7%
Activities not adequately defined	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Labor Force Survey, INE-Chile. The basis is the civilian labor force employed, aged 15 years and over, except for 1975 and 1980 (including persons aged 12 and over). The measures correspond to the fourth quarter each year. The sample design was revised beginning fourth quarter 1985.

Under the context of economic growth and of a model oriented to external markets, these trends have generated a labor structure that is more complex than the ISI structure. The way of organizing the labor and the production inside the firms changed, with the emergence of different modalities of interrelation and coordination among firms, as hiring networks and strategic alliances (Ramos, 2003). Under these circumstances, urban sectors has been reinforced, especially middle income groups, while the privatization processes and the increasingly central role of the service sector have diminished the importance of the traditional working class. The participation of women in the labor force grew and, more recently, the unemployment rate has shown a tendency to remain high (moving around 8%-10%), despite the rate of economic growth. In this scenario, Chile still has the lowest rate of informal activity¹ in Latin America, according to ILO estimates. Even though, the rate is close to 40%. Most importantly, it is quite stable, since it has not considerably diminish (or either augmented) since 1990, as seen in Table 3.

Table 3: Structure of Urban Employment, Chile 1990-2003.

	Informal Sector				Formal Sector		
	Total	Independent workers	Domestic Service	Very Small Establishments	Total	Public Sector	Small, medium y big private establishments
1990	37.9	20.9	5.4	11.7	62.1	7.0	55.1
1996	38.8	18.1	7.1	12.8	61.2	11.8	49.4

¹ Informal labor is here understood according to the ILO perspective, as the low productivity activities carried out by small firms, independent, non professional workers, domestic service and unpaid family workers.

2000	38.0	19.7	5.9	12.5	62.0	10.8	51.2
2003	38.8	21.1	6.8	10.9	61.2	12.3	48.9

Source: Panorama Social 2004, OIT.

ii. The Social Security Reform.

The social security reform was enacted in 1981 in Chile. It was a structural reform², which substituted a public, pay-as-you-go system, with a private, mandatory system based on individual accounts. In the new system, benefits are based on individual characteristics and contributions. Dependent workers must send 10% of their monthly income to their individual accounts (an additional amount for administrative fees and survivors and disabilities insurance is charged every month). Neither the employer nor the state contributes. Workers can choose among different Pension Funds Administrators (AFPs) where to send their money. They can also decide the level of risk for the investment the AFPs will make with their money, opting among five funds³. While contributing to the system is compulsory for dependent workers, it is voluntary for self-employed. Once workers reach the retirement age (65 for men and 60 for women) or later, they start to receive their pensions, after choosing among three retirement plans: an annuity, programmed withdrawal schedule to guarantee income over the retiree's expected life span, or a deferred annuity, which is a combination of the annuity and the programmed withdrawal option (Social Security Bulletin, 2002). Workers who have completed twenty years of contributions (240 months), but have not accumulated enough to afford a minimum pension⁴ are entitled to receive a subsidy financed with general tax revenues. The state keeps an important role, regulating and supervising the behavior of the AFPs, as well as providing assistance to poor people whose lack of income impedes them to generate a private account.

The system has shown a healthy performance since it was enacted. In fact, the average real return on the personal accounts has been 10% a year. The pension funds have now accumulated resources equivalent to 70% of gross domestic product, a pool of savings that has helped to finance the economic growth of the country (Pinera 2004). In spite of its advantages, the system faces serious problems. Probably the biggest one has to do with the coverage it offers to people

² Structural reforms are those that radically transform a social security system, by replacing, paralleling or supplementing it with a private system. They used to be opposed to parametric reforms, which preserve the public system, strengthening its finances and/or changing its entitlement conditions (Mesa-Lago, 2002).

³ Workers can build a budget of mixed funds. However, reached certain age, they are not allowed to invest in the most risky funds any more.

⁴ The amount of the minimum pension is fixed by the state, and its value currently is \$120,000 pesos a month (US\$ 205)

with an unstable participation of the labor market. Since both the labor market and the social security system are closely related, changes in the labor market pose central challenges to the social security system. The study hypothesizes that the reformed social security system was designed without considering the changes that have occurred in the labor market, so it presupposes a type of worker which is increasingly less frequent in Chile. Hence, it lets an important proportion of the population with no protection. Due to its assumptions, in practice, it creates new forms of social exclusion, worsening the inequalities that characterize Chilean society.

Theoretical Framework.

Bryan Roberts's work on welfare provision and citizenship in Latin America (adapting the classical Esping-Andersen categories) is useful to approach the social security problem in Chile. It can be said that there are three fundamental actors in welfare provision: the family and the community, the state and the market. According to Roberts (1997), in Latin America, until the eighties, much of the social welfare was traditionally maintained in the private sphere of family and the community. The State also played an important role, providing diverse protection schemes to different occupational groups which supported the elite control, and drawing, consequently, a quite fragmented protection picture. Such fragmentation, which leaves a large part of the population with no benefits, was possible, in part, under a context of growing urbanization, because of the support of the family and the community "...This was possible due to a period of social mobility in which people flowed from countryside to the city, and made the city by their own efforts. Kinship and community ties helped migrants to find employment and housing, to care for the needy, and even to secure much of the social infrastructure of development. This was the reality that enabled states throughout Latin America, but to different degrees, to leave the provision of the social security mainly in the hands of family and community despite the social and economic disruptions accompanying urbanization and industrialization" (Roberts, 1997: 9-10).

During the eighties and on, a new, neoliberal socio-economic model has been imposed in Latin America, changing the traditional welfare regime, "In this model, states cease to play such a

dominant role in welfare provision. Instead, through policies of decentralization, welfare is provided through seeking cooperation and co-financing from local communities, through the aid of non-profit sector, and through introducing market mechanisms... Though the outlines of a new welfare regime are emerging in Latin America... there is both uncertainty and controversy over what the balance is to be between state provision and the contributions of the markets, voluntary sector, or family and community” (Roberts, 1997:11).

Then, in the new socio-economic regime, the role of the actors providing welfare is still uncertain. They are facing important challenges which obligate them to redefine their position. The state seems unlikely to disappear from the welfare arena, since it must regulate the action of other actors, even though it is viewed, itself, as an inefficient, overly bureaucratic and inherently authoritarian provider of social welfare. Relaying just in the market as a provider of social welfare does not seem reasonable, given the uneven income distribution and poverty characterizing Latin American societies. In this sense, just a small proportion of the population is able to purchase the needed social services in the market, “...perhaps the most severe limitation on market provision of welfare is the employment situation in Latin America. More sharply than in the advanced capitalist countries, state provision of social welfare in Latin America has been tied to employment rather than being a general entitlement of citizenship. The benefits of social security have mainly been financed by employer and worker contributions, rather than out of general taxes revenue. One widespread implication of this situation has been the avoidance of the social security obligations both by workers and employers through non-registration... a large proportion of workers have been unregistered, constituting a substantial sector of informal unemployment... Since in many Latin American countries a substantial minority or majority of the population are outside the reach of formal market institutions, these institutions cannot be effective ways of ensuring a basic welfare standard”(Roberts, 1997:17-19).

If the state retires and the market is not a trustable source of welfare, what about the other, informal sources of social welfare (family, community and the voluntary sector)? In spite of the important role they have played until now, currently also they are facing important challenges which limit their action, “...family provision of social welfare depends on various conditions being met. First, the family needs to function as a cohesive unit... Other factors also make the

family a less effective provider of social welfare. Declining birth rates, the consequent smaller size of households, the tendency of children to live on their own at earlier ages and wives working outside the house leave the family unit without the human resources to provide for the welfare of its dependent members”(Roberts, 1997: 19-20). The accelerated rhythm of life in the city and the space accommodations also question the capacity of the family to provide welfare. Smaller houses or apartments make difficult to bring home the old relatives needing care. The increasing participation of women in the labor market imposes similar limits, as well as the growing of individualism that debilitates the social networks the community used to offer.

The current social security situation in Chile provides a privileged scenario to check how are the family, the state and the market acting to ensure social protection. Chile has run the more orthodox privatization of social security in Latin America. So, in theory, the market should be playing a crucial role in this arena. The state, in this design, was thought to focus its role as provider of social protection into the poor⁵.

The official institution dedicated to supervise the behavior of the private funds administrators, the superintendence of AFPs, have started to produce data that shows the private system works well for a limited proportion of the population. Recent unpublished estimates indicate about 45% of the working population will be able to afford a minimum pension or more with the funds in their private accounts. 10% will fill the requirements for the minimum guaranteed pension. And nearly 45% will be in an undefined situation, since they will not have money enough in their accounts to afford a minimum pension, but they will not be able, either, to ask the State to supplement their funds.

This important proportion of people is not strictly poor, but lower-middle income people. They are virtually uncovered in terms of social protection. Many of them belong to the so-called informal sector of the economy, as independent workers with low education, as dependent workers in small firms or as domestic service. Independent workers are not compelled to contribute to the social security system and, electively, a very small proportion does so (about

⁵ It also must keep on providing welfare to people who decided not to switch to the private system when the reform was enacted (1981), that constitutes was a very small proportion.

7%⁶). Workers in small firms and domestic services are, by the nature of their labor relationship, likely to stay apart of the labor regulations. They often work without a contract or any other document that formalize the relationship. They used to receive a low income, so it is attractive for them to increase it, in the present, avoiding the payment of the social security contribution. These companies may not have, either, a formal existence, so it is hard for the State to supervise their behavior.

People in the informal sector are not likely to stay in there through all of their labor lives. They probably pass through periods of unemployment, informal employments and some formal employments. They may affiliate to an AFP while they hold a formal job. Hence, they probably own a private account. But when their formal jobs are over, they difficultly continue paying their contributions. Since they own an account, they belong to the private system, but their funds are low and once they reach the retirement age, they may not have paid contributions for 240 months. Therefore, the system does not guarantee for them the minimum pension. During their lives, they may have accumulated some actives, as a house, which disables them to apply to the assistance pension the State pays to people with no income, and even if they qualify to get it, the number of assistance pension the State gives every year is limited (there are waiting lists) and the amount of the pension is quite low for a living (about \$US 75 a month).

These people face an uncertain future, since they will not have a decent pension to afford their lives at old ages (which used to be increased by health expenses). They also have protection problems in the present, specifically, in terms of health insurance. People hired as dependent workers must choose to buy a private health plan or to affiliate to the public health system. In the latter case, 7% of their income goes to a common fund (FONASA, Fondo Nacional de Salud) which provides them health care⁷. In case the worker decide to buy a private health plan, he or she must choose among several companies providing health care (ISAPRES, Instituciones de Salud Previsional) offering different plans, whose prices depend on several factors, as age, gender, and pre-existent illnesses. But people without a labor contract can not buy health

⁶ Meanwhile, almost 75% of dependent workers contributes regularly (Arenas de Mesa, 2000)

⁷ The public health system has been severely questioned by the public opinion, both for the waiting time to get attention and for the quality of the services provided. Recently, the government has develop a reform plan (AUGE, Acceso Universal con Garantias Explicitas) to improve this situation.

insurance directly to the public health system or any Isapre. As independent workers, they must access the health system through an AFP. This means they must “quit” to, at least, 14% of their income (7% for health in the public option, which is the cheaper one, and 7% for retirement). So, people in the informal sector are likely to avoid buying health insurance. Once again, if they qualify as poor, according to the official instruments used to identify poverty, they have the choice to get free health care. But if they do not, not the workers or their families have any health protection.

The Research Problem.

Therefore, the inequalities of the labor market are reproduced in the social security system. People with a stable participation in the labor market are satisfactorily protected, but people with a more unstable, precarious insertion are not. An important proportion of these people are not poor, according to the official instruments to measure poverty, so they do not qualify for the assistance programs the state offers in a focalized manner. The aim of this study is to explore the strategies of social protection these people are developing.

How are lower-middle income people facing the need of social protection, both for the future and in the present? What is the role the family and the community, the state and the market play in the strategies of social protection these people develop? This project explores such questions, focusing in the relationship between the labor and the social security situation. It is limited to urban population in the capital city, Santiago. This is because the social protection situation the urban and the rural population face is quite different. Since Chile is a mainly urbanized society, it looks reasonable to concentrate the efforts in that population in a first stage. Also, limits of time and funds would not allow to extent the field research to rural areas outside of the capital city.

Specific objectives of the study and hypotheses.

- To find a way to access, in a qualitative approach, lower-middle income people in the working population.
- To reconstruct the labor history of the interviewees.
- To identify protection strategies associated to different stages of the labor history.
- To explore the factors related to stronger or more weak protection strategies different interviewees develop.

The general hypothesis underlying this study is that the strategies of social protection lower-middle income people deploy are influenced, among other factors, by their labor insertion, the structure of their families, their level of education and age. Then,

- The structure of the family determines the strategies of protection their members exercise. A mono-parental household has fewer resources to protect themselves than a bi-parental household. More specifically, a bi-parental household headed by a man will be in a stronger position in comparison with a mono-parental household headed by a woman.
- The number of people working and the kind of job they have determines the strategies of protection the family develop. Families with people working in the formal sector are in a more advantaged position in terms of social protection. Families with some members in the formal and others in the informal sector will try to get benefit of the formal insertion to protect the most of their members.
- The level of education affects the protection decisions people make. Families headed by more educated people develop more cautious protection strategies than families headed by less educated people.
- The age influences the protection decision people make. Older head of the household are more worried about social protection than younger people, so they use more consistent strategies.

The methodology.

Two lines of action were followed in order to evaluate the labor history and the social protection strategies of lower-middle income people. On the one hand, I approached people in this situation, through in depth interviews. On the other hand, I talked to with authorized voices in the social security realm, to get their impression of this problem.

I spent my first month in Chile talking to experts in social security, in order to confront my initial approach to the problem with their opinions and findings, and to design the fieldwork of my second month in Chile. The two institutions I had reached before going to Chile, in order to carry out an internship during the summer, ILO-Chile and the department of sociology of the Universidad Catolica, were a great help during this first month. I talked lengthily to Fabio Bertrenau, the ILO-Chile's expert in pensions and to Guillermo Wormald, a sociologist in the Universidad Catolica with an extensive curriculum in economic sociology and public policies⁸. These conversations made clear to me it was more interesting to talk to common people affected by the problem of social security, than just to experts in this arena (which was my original plan). They also helped me to delineate the final qualitative approach I used to reach the desired population, namely, lower-middle income people, since it is reasonable to think they may, as a group, be the more unprotected population in terms of social security.

Nonetheless, this segment is varied enough. Since the participation in the formal and informal sector of the economy, as well as unemployment are not static conditions, to look at the population of middle-low income Chileans must give back an image including all of them. The last CASEN survey (Encuesta de Caracterizacion Socioeconomica Nacional), conducted in 2003, can be used to draw that image. My affiliation to the department of sociology of the Universidad Catolica gave me access to this survey. The data shows the heterogeneity expected in terms of

⁸ I also talked to Alberto Arenas Mesa and Jaime Ruiz-Tagle, two researchers currently working for the government, who have investigated the pensions issue recently.

labor situation and formal/informal insertion, as seen in table 4 and 5. Unemployment is about 6% and informality about 40%.

Table 4: Condition of Economic Activity, Metropolitan Region of Santiago, 2003.

	Frequency	Percent
Employed	2634847	55.6
Unemployed	277596	5.9
Inactive	1828848	38.6
Total	4741291	100.0

Source: Casen 2003, in basis of the entire sample

Table 5: Structure of Urban Employment, Metropolitan Region of Santiago, 2003.

Formal employer	1.3%
Dependent formal worker	55.6%
Independent formal worker	3.8%
<i>Subtotal Formal</i>	60.7%
Informal employer	3.4%
Informal dependent worker	13.4%
Informal independent worker	15.4%
Domestic service	5.7%
Unpaid family worker	1.4%
<i>Subtotal Informal</i>	39.3%
Total	

Source: Casen 2003, in basis of the employed sample

To approach this sector, it was necessary to know where to find them. The CASEN survey has geographic as well as income information, so I was able to determine which municipalities in Santiago concentrate more people in the second and third quintile of income (this is lower-middle income people, but not poor). The three municipalities concentrating 22.5% of this income segment are Puente Alto, La Florida and Maipo. I decided work with people living in the top-of-the-list municipality, Puente Alto.

Table 5: Municipalities in Santiago, according to their Second and Third Income-Quintile Population.

Puente Alto	8.6%	Santiago	2.2%	Paine	0.8%
La Florida	7.1%	Quinta Normal	2.2%	Lo Barnechea	0.6%
Maipo	6.8%	San Joaquin	1.9%	Lampa	0.6%
La Pintana	4.8%	Ñuñoa	1.6%	El Monte	0.5%
San Bernardo	4.6%	Melipilla	1.6%	Padre Hurtado	0.5%
Pudahuel	3.9%	Macul	1.5%	Curacavi	0.4%
Peñalolen	3.8%	Colina	1.4%	Isla De Maipo	0.4%
El Bosque	3.6%	La Cisterna	1.3%	Providencia	0.3%
La Granja	3.3%	Cerrillos	1.3%	Vitacura	0.2%
Cerro Navia	3.2%	Quilicura	1.2%	Tiltil	0.2%
Renca	3.2%	Buin	1.1%	San Jose De Maipo	0.2%
Recoleta	3.0%	Talagante	1.1%	Pirque	0.2%
Conchali	2.9%	Peñaflor	1.1%	Calera De Tango	0.2%
Lo Espejo	2.5%	Independencia	1.0%	Maria Pinto	0.1%
Pedro Aguirre Cerda	2.3%	Huechuraba	1.0%	Alhue	0.1%
Estacion Central	2.3%	La Reina	1.0%	San Pedro	0.1%
Lo Prado	2.3%	San Miguel	1.0%		
San Ramon	2.2%	Las Condes	0.9%		

Source: Casen 2003, in basis of the entire sample

Puente Alto is located in the south of the metropolitan area of Santiago. It is one of the biggest municipalities, according to the last census (2002), concentrating about 9% of the population in the metropolitan region. It is a pretty diverse municipality, including neighborhoods of public housing (sadly in the news some years ago because of the bad quality of the constructions) and private real state projects oriented to the emerging middle class. Since this municipality is the first one concentrating the second and third quintile of income population, working in it makes more probable to reach this kind of people.

I decided to in-depth interview head of the households of Puente Alto, to depict the strategies of social protection their families develop. Since I hypothesized the structure of the family itself, the kind of labor insertion and the level of education of the head affect the protection strategies a family can develop, I segmented the sample as a function of this three variables. I decided to include head of households of mono-parental and bi-parental families, as well as uni-personal families; people working in the formal and in the informal sector of the economy and people with secondary complete or less and with post-secondary studies. I excluded heads of the household working in the armed forces, since they have their own social security system, as well as heads of the household outside of the labor force. Because of the time limits I faced, I planned to conduct 32 interviews, distributed according to the following sample design:

Biparental HH				Monoparental HH				Unipersonal HH			
Sec or less		More than sec		Sec or less		More than sec		Sec or less		More than sec	
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal
3	4	4	3	3	4	4	3	1	1	1	1

In order to gain access to people with the desired characteristics, I contacted several key informants in Puente Alto, namely, the president of a “Junta de Vecinos” (an association of neighbors); the leader of a chess club, who also have an active participation in other associations, and the pastor of an evangelic church. I got access to most of my interviewees through them. Some of the interviewees contacted me with other persons who were part of this study.

Since all of the people who I talked to were employed⁹, I interviewed most of them after they finished their working hours, at their houses in Puente Alto. A few interviews were conducted in coffee shops nearby their labor place and another set was conducted in their labor place during lunch time.

I was finally able to run 30 of the 32 interviews I planned to conduct. Because of unpredictable facts (people have changed the jobs which make me select them, but the friend who contacted me with them did not know it, neither do I before the interview) the sample distribution varied slightly, having this final format:

Biparental HH				Uniparental HH				Unipersonal households			
Sec or less		More than sec		Sec or less		More than sec		Sec or less		More than sec	
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal
3	4	3	3	3	5	3	3	1	1	1	0

The length of the interviews varied according to the complexity of the labor history of the interviewee, among other things. They extended from 25 to 90 minutes, approximately.

I dedicated the last days in Chile to a final series of conversation with experts in social security representing the voice of the AFPs and the government. I talked to the manager of studies of the Association of AFPs and to the superintendent of AFPs¹⁰, in order to confront them with some of my initial impressions and to explore their posture in relation to this problem. Both of them facilitated me documents they have produced, including some of the facts they argue in these conversations. In addition, I had a final interview with the coordinator of the department of special studies of ECLAC¹¹, who has worked the subject of social security extensively, with the same goals of the just referred conversations. Finally, I contacted the Ministry of Labor to gain access to the first wave of a longitudinal survey they are conducting about social security, which includes a section about labor history. I got it, and I will have access to the further stages of the survey once they are available.

⁹ Even though being employed or unemployed was not one of the restrictions I worked with.

¹⁰ Roberto Fuentes and Guillermo Larrain, respectively.

¹¹ Andreas Uthoff

Exploring the Initial Findings.

The comments included in this section are totally preliminary, since I expect to analyze in depth the information I collected during the next semester. They are more based in my impressions in the field than in a careful analysis.

The first thing that was notorious to me during the interviews with heads of the household was that pensions are not an issue to active people, even if they are close to the retirement age. I initially wanted to focus the conversations in pensions and the way people is providing themselves an income for the future, but to talk about that resulted quite strange to the interviewees. If pensions get into their discourse is through their link with health care. Health care in the present is an issue in which people have much more to say. When the contributions to the social security system is associated with health insurance (as in the independent workers' case), then they are considered as a priority. Otherwise, they tend to be seen as a burden you can not avoid when you have a good, formal job, but you can evade (and perhaps you should) if you do not.

A second comment has to do with the indifference of people towards the social security system. It is well known in Chile that the level of understanding of this system is low among the population. But, in addition to that un-knowledge and misunderstanding, I found indifference. Even when they may not think regularly about it, the expectation of a low pension is not a novelty for middle-low income people. They tend to know that the pension they will receive it is going to be lower, in most cases much lower, than their current income. But I think they do not relay in their pensions as the only (or as the major) source of income at old ages. In this sense, they do have some kind of strategy of protection. The most important one seems to be to refuse exiting the labor force. They do not think to live out of their pensions because they think they will continue working once they pass the retirement age. It is really difficult to active people to image their lives with no working activities. If I pushed them, making notorious that there will be a day when they will be old enough to work, and I ask them how they were expecting to afford a living in those days, it was pretty difficult to find an answer. Some people simply are no able to image their lives with no work. Others, instead, are able to do it, and, further more, they have delineated some strategies for that time:

“Later on it’s going to be easier to me to think in buying a place for my beauty shop...And if I am going to be the owner of that place, other people is going to be there, working for me when, I am old, so I will have that income” (Woman, 32 years, hairdresser).

Once again, I think that the surprising finding here is that the middle-low income people I talked to do not really expect to afford their lives with their pensions. Maybe because the family has historically played such an important role as provider of social protection at old ages, there is a kind of sensation in the historical memory of Chileans that nobody affords a living with a pension. And that is seen as normal, not as something you must act to change. Maybe that is one of the reasons why one does not see much social organization or collective action about the problem of pensions.

Going back to the initial hypotheses outlined above, the structure of the family and the labor insertion of its members do play an important role when talking about social protection. The strategies of social protection are family strategies, namely, they are developed thinking in all the family members. That is pretty clear in relation to health care, which is, as said before, the major protection preoccupation of the people I interviewed. When there is a bi-parental household, if the man or the woman have a formal job, usually this job is used to protect the rest of the family (namely, to include them as dependants in the health care plan)¹². If both parents are in the formal sector, then they use the best plan one of them has access to. And the strategies change as soon as the labor situation of the members changes, in order to get the most of the available options. In the case of the independent workers, sometimes that means to try to get access to the free-public health system. In order to do it, they must avoid contributing to their individual accounts in the AFP system, because one of the requisites for getting free health care in the public system is showing you have been unable to pay such contribution during the last 24 months. Then, people may get access to health care for them and their families in the present (even though the quality of the services provided is questionable, but anyway having this insurance is better than having nothing), but they are putting their future at risk.

¹² A restriction is that in the public system women just can include children as dependants, while the private health care system does not require a blood link for the dependants’ inclusion.

Bi-parental households do have more options in terms of social protection, since they can mobilize more resources. Mono-parental households, usually headed by a woman, have fewer resources. However, it seems that the link to the “missing parent” is not completely lost when talking about social protection for the kids. An absent father use to keep on having his kids as dependants, in terms of health care, even when that may be the only way he contributes to their rearing. The woman who stays as head of the household, though, uses to be excluded from such protection.

In relation to the level of education, it seems clear that more educated people are more worried about social protection. They not only take care of the problem in its current version (health insurance), but they are also more conscientious of the need to take actions in the present in order to ensure a decent future at old ages. In this sense, several strategies appear among more educated people, like buying properties, putting money in a saving account or in a voluntary account in their AFP, or buying different kind of insurances.

As said before, I do not have the impression that age makes a dramatic difference in terms of social protection strategies. Working people who are closer to the retirement age do not look more worried about the future than younger people. For both, health care is the central problem in terms of social protection. This indifference, though, may be influenced by the fact that none of my older interviewees suffered any serious health problem. Maybe among people with weaker health, age makes a more important difference in terms of strategies of social protection.

Final Comments

Finally, recovering the initial question about how much state, how much market and much family can we find today in the social protection strategies lower-middle income people deploy, it seems like the market is the one that provides labor insertion, and if that insertion is adequate, it involves private and satisfactory social protection. If it is not, then the family and the state join to provide social protection in a very dynamic scheme, that changes according to the possibilities the market offers to the family members.

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