THE PRIVATIZATION OF SOCIAL SECURITY AND WOMEN'S WELFARE:

Gender Effects of the Chilean Reform*

Alberto Arenas de Mesa, *Ministerio de Hacienda de Chile*
Verónica Montecinos, *The Pennsylvania State University*

Abstract: The study shows that the new privately managed pension system in Chile has increased gender inequalities. Women are worse off than they were under the old pay-as-you-go system of social security, in which the calculation of benefits for men and women did not differ and women could obtain pensions with fewer requirements than men. Currently, benefits are calculated according to individuals' contributions and levels of risk. Such factors as women's longer life expectancy, earlier retirement age, lower rates of labor-force participation, lower salaries, and other disadvantages in the labor market are directly affecting their accumulation of funds in individual retirement accounts, leading to lower pensions, especially for poorer women. Lessons from the Chilean reform should encourage scholars, policy makers, and the general public to engage in debates that more adequately incorporate gender variables in designing and implementing policy changes.

This article seeks to open a debate on a critical but neglected aspect of the privatization of the social security system in Chile: its effects on the welfare of women. Previous studies of social welfare in Latin America have either ignored or paid insufficient attention to the gender dimension of inequality. Even now, when several countries in the region are striving to reform their social security systems, many questions relevant to the social protection of women remain unanswered. For example, is the social security system compensating for the disadvantages that women experience in the labor market? To what extent are social benefits for older women reflecting conflicts between women's roles as workers and care givers? The relevance of these questions has increased in the last decade for two reasons. First, more women are qualifying for retirement pensions due to increases in their participation in the paid labor force. Second, as privatized

*An earlier version of this article was presented to the Latin American Studies Association in Washington, D.C., 28–30 September 1995. We thank Carmelo Mesa-Lago, Lisa Brush, and the anonymous *LARR* reviewers for their comments. The views expressed in this article are the authors' own and do not necessarily reflect those of the institutions with which they are affiliated.

pension funds have begun to serve macroeconomic goals (such as savings and investment), some traditional functions of social protection are being dropped, most notably in the case of women.

The social security system introduced in Chile in the 1920s was designed to protect workers and their dependents from risks such as loss of employment due to sickness and old age (among other forms of social coverage). The system was organized on the basis of collective insurance, in which group characteristics rather than individual ones determined the financial calculation of benefits. Fiscal contributions and transfers (intra- and inter-generational) compensated for the disadvantages that some groups suffered in the labor market. In particular, not all the gendered inequalities experienced in the labor market were reflected in women's pensions because women's benefits were partially financed with state subsidies and transfers from male contributions.

The old pay-as-you-go public social security system had a potentially progressive impact on income distribution but was widely criticized for institutionalizing privileges in terms of access, entitlements, requirements, and benefits. The old system was also condemned for accumulating actuarial imbalances and imposing a burden of politicization and mismanagement on the fiscal deficit and the Chilean economy.

The social security reform of 1980 fully replaced the old public system with a mandatory privately managed pension system in which benefits are based on individual characteristics and contributions. The aim of the new system is to ensure that (after discounting for administrative costs) the insured receive benefits according to individual contributions and levels of risk. Only those who have completed twenty years of contributions but have not accumulated enough during their working life to finance at least a minimum pension are entitled to receive a subsidy financed with general tax revenues.

The Chilean social security reform has been praised in international academic and policy circles for helping develop the financial market and increase capital formation, savings, and economic growth (World Bank 1994; Baeza and Margozzini 1995; IMF 1995; Feldstein 1996). Analysts have nevertheless identified some significant shortcomings: fiscal imbalances generated by the pension reform, high administrative costs, and scant coverage of poor and self-employed workers in the new system (Arellano 1985, 1989; Gillion and Bonilla 1992; Mesa-Lago 1994). Also and perhaps unintentionally, the Chilean reform has hurt women's interests by ignoring the fact that men's and women's lives follow different cultural and institutional patterns.

Although important forms of privilege and other problems of the old system disappeared or were reduced after the reform, gender inequalities increased. In the pay-as-you-go public social security system, women received more generous benefits with fewer requirements, and the gap in benefits between men and women was smaller. To qualify for minimum old-age pensions, women had to be affiliated for a shorter period than men and were not required to make contributions. In the new system, the contributions needed to obtain minimum pensions were raised for both men and women, but the increase was substantially higher for women (see table 1). In addition, in the old system, women's pension benefits were heavily subsidized by the state and by transfers from male workers. Women could retire earlier than men and were entitled to similar pension benefits for a longer period of time, given that women live longer on average. Since the reform, when the pension system adopted the logic of private insurance, the additional cost of women's longer retirement is being paid directly by the beneficiaries. The disadvantages that women have in the labor market (lower wages and shorter contribution periods) will be reflected directly in the amount of their pensions. Because the new system provides insurance according to individuals' contributions and risks, women's pensions will be lower than men's pensions on average. Although gender differences have not been addressed or explicitly recognized in the private system, studies have projected that a relatively larger share of state subsidies will be spent on women, who are likely to be the more numerous beneficiaries of minimum and welfare pensions.

The reform did not modify women's right to retire five years earlier than men. But retiring at age sixty is now a disadvantage: with fewer years of contributions, the accumulated funds are smaller and so are the corresponding pensions. In the old system, pensions reflected only the earnings of the last working years. By contrast, pensions in the new system are based on the contributions made during one's entire working career, among other variables. Interruptions in labor participation—a typical experience for younger workers who are affected by higher unemployment rates—now result in lower pension benefits. Women are especially hurt by these new rules because women are more vulnerable to unemployment and often quit their jobs after marriage or child bearing.

Briefly, as many observers have argued, the privatized pension system has strengthened the financial market and may have contributed to the excellent performance of the Chilean economy since the mid-1980s. The losses that this reform has represented for Chilean women are not as well known. The reform eliminated some of the advantages that women had before, and women's pensions are now lower than men's pensions due to early retirement, longevity, and a characteristically uneven participation in the paid labor force. In the private pension system, women are worse off compared with the treatment they received in the old system and with the benefits received by men.

Chile is not alone in awarding women more limited social benefits. Even in the most egalitarian and generous welfare regimes, men—the typical full-time, salaried workers and family breadwinners—have generally

TABLE 1 *Comparison between Public and Private Pension Systems in Chile*

	Public Pension System		Private Pension System	
	Men	*Women*	*Men*	*Women*
Requirements for old-age minimum pension (years)				
Affiliation	15.3	9.6	0.0	0.0
Contributions	7.7	0.0	20.0	20.0
Retirement ages	65.0	60.0	65.0	60.0
Requirements for the calculation of pensions				
Salaries	Between 10% and 3% of the working life (last 5, 3, or 1 years)		100% of the working life	
Years of contributions	30 or 35 years[a]		100% of the working life	
Rate of return of pension fund	Not considered		Considered	
Pension fund commissions	Not considered		Considered	
Retirement ages	Retirement age does not affect level of pensions		The higher retirement age the higher level of pension	
Life expectancy	Not considered, therefore women were favored		Considered. Insured with long life expectancy (women) get lower benefits	
Dependents	Not considered. Some get an additional year of contribution for each child.		Considered. Insured with dependents get lower benefits than insured without dependents	

Sources: Authors' elaboration and Arellano (1985).

[a] For men, this represents 66% or 77% of their working lives. For women, it represents 75% or 88% of their working lives.

received better protection. It is somewhat surprising that the gender dimension of social security has been neglected in research, especially considering that social conventions demand that women take final responsibility for the well-being of families.

In an effort to bridge the divide between studies of gender and studies of social security, a growing body of literature has recently emerged, most of it referring to European and North American contexts (Skocpol 1992; ILO 1993; Koven and Michel 1993; Lewis 1993; Orloff 1993, 1996; Folbre 1994; Gordon 1994; Jacobsen 1994). These analyses emphasize the relationship between the eligibility to pension benefits and their quality—the focus of our study—and a variety of policies affecting women's position in the labor market and the family. Definitions of the feminine role, especially in terms of child care and housework responsibilities, strongly condition women's ability to participate in the labor market. The disadvantaged position of women in the family and in the labor market limits the quality of social provisions. Also, policy makers' view of gender is reflected in the forms of social coverage granted to women. A traditional assumption in social insurance programs around the world has been that married women were not in the workforce but received benefits through their husbands' insurance. Unmarried or deserted mothers, when not employed and covered through their own insurance, were mostly entitled to other (usually less generous) forms of social protection.

The literature cited has stressed that the policies facilitating women's more equal, permanent, and formal participation in the labor market—such as equal-opportunity legislation, day-care provision, and maternity leave—may improve women's social protection and retirement conditions. Historically, the social benefits of working women have been more limited than those of men due to the concentration of women in sex-segregated, low-prestige, and low-paying occupations and women's greater likelihood to be employed only part-time or in informal arrangements in which promotions, training opportunities, and seniority rights are scarce. Similarly, those studies have argued that legislation aimed at equalizing the rights of single-mother families and improving the legal status of women are important factors in ameliorating women's social security. Greater scope for autonomous decision making regarding the allocation of women's time, property, and other resources may lead to higher levels of labor participation, lessen economic dependency, and improve access to social benefits. But these analysts have recognized that measures aimed at benefiting women often generate contradictory and unintended consequences. To understand better the ideological and institutional complexities in the relationship between the state and women's interests, it is urgent to engage scholars, policy makers, and women's groups in discussion and to foster many future comparative and historical studies as a basis for learning.

Our analysis of the Chilean case should provide some lessons for the pension reforms now occurring in other countries.[1] It is organized in four sections. The first section centers on Chilean women's social rights and protection during the years preceding the social security reform of 1981. The second section summarizes the impact of market reforms on women's welfare and the gender inequalities introduced by the new private social security system. In the following section, it will be argued that

1. Several countries have made changes in their social security systems, partly inspired by the Chilean reform: Peru (in 1993), Arentina and Columbia (1994), Uruguay and Mexico (1995), Bolivia (1997), and El Salvador (1998).

despite policy changes implemented by democratic governments in the 1990s, Chilean policy makers have yet to address gender inequities in a coherent and systematic fashion. We conclude that more scholarly and public debate is necessary to understand the impact of public policies on the rights and well-being of women. This debate is especially important at a time when reforms of social protection schemes are being undertaken throughout Latin America.

THE OLD CHILEAN WELFARE STATE: PRINCIPLES AND LIMITATIONS

In the 1920s, Chile was one of several countries that pioneered social protection policies. Carmelo Mesa-Lago has characterized the Chilean system as one of the most generous in terms of benefits and one of the most liberal in terms of requirements (1985, 99).[2] The social security system was highly stratified, however. The privileges enjoyed by relatively small groups exceeded the benefits granted to larger and poorer groups.[3] The benefits going to the more privileged groups were in part financed indirectly (via taxes) by those who were not insured (Mesa-Lago 1978, 55). By the end of the 1960s, the Chilean social security system had a high redistributive potential but was only moderately progressive (Foxley, Aninat, and Arellano 1980).[4]

Studies performed since the 1950s indicated that the problems of fiscal deficit, inflation, and slow growth of the Chilean economy were attributable to a major extent to the high costs of social security.[5] Successive administrations considered various reform projects, but groups threatened by such reforms opposed changes to reduce financial deficits and equalize benefits (Borzutzky 1983).

2. At the beginning of the 1970s, the coverage of insured workers, their dependents, and retirees had reached 75 percent of the total labor force. At that time, the economically active population represented only 32 percent of the total Chilean population, and the cost of the social security system exceeded 16 percent of GDP (Mesa-Lago 1985, 99). In 1970 public social expenditures represented 20 percent of GDP. A 30 percent increase in social spending was registered in 1971–1972 (Arellano 1985, 43–44).

3. Prior to the 1981 reform, the three major social security funds (for manual and nonmanual workers in the private and public sectors) grouped 94 percent of the civilian contributors. Thirteen other funds were operating with less than a thousand contributors each (Cheyre 1988, 30).

4. Even though a significant proportion of the state contributions (55 percent) was used to finance the costs of social security for the armed forces, state monies paid for the more progressive programs: family allowances and the pensions of manual workers (Marcel and Arenas 1992).

5. Financial problems were mounting due to gradual expansion in coverage, inadequacy of contributions, an increase in the retired population, and high administrative costs (Mesa-Lago 1978).

Social Security and the Well-Being of Women

Gender inequalities and the efforts of organized women to improve social protection have not been mentioned in the classic analyses of social security in Chile (Morris 1966; Mesa-Lago 1978, 1985; Arellano 1985). Like other social insurance systems aimed at compensating for income losses in the labor market, the Chilean public system contained an implicit gender bias. Although some Chilean women received social security benefits for their participation in the workforce, women were granted rights mostly as dependent wives of insured workers and sometimes as mothers. Women who were not legally married to an insured worker were not covered in pension and family allowance programs because access to the social protection system was conditioned on marital status (Folbre 1994, 24). The children of unmarried and abandoned mothers also receive limited social benefits.[6]

Social protection programs were introduced before women acquired full political rights.[7] Although women in Chile have traditionally been relatively well represented in the professions and in the legislature, their influence in policy making has been marginal and their access to party politics limited and highly segregated (Chaney 1973). In the decades following the establishment of the social security system in Chile, improvements in the political representation and social protection of women received low priority. Even now, reformist forces on the political Left and in the Center resist including gender issues in the political debate.[8]

The Labor Market and Women under the Old Social Security System

Class differences among women have affected their level of labor participation and the consequent quality of social protection. In Chile tra-

6. The legal system gave married women limited civil rights and subordinated the handling of some financial matters to the authority of husbands, who also had custody of children (Malic and Serrano 1988). The consequences of this kind of family legislation have been particularly negative among lower-income groups, with a higher incidence of couples not legally married. Divorce does not exist in Chile, and the alternative currently in use (marriage annulment) is expensive and not always available.

7. The first legislative proposal to recognize women's rights to citizenship dates from 1917. But only in 1949 were Chilean women granted the right to vote in presidential elections (they had been voting in municipal elections since 1935).

8. Party leaders on the Left, mostly concerned with class inequality, relegated gender issues to the margin. After the active mobilization of women during the transition to democracy, feminist leaders in the Partido Socialista challenged its neglect of women (Larraín 1993, 160). In the Partido Demócrata Cristiano, women's concerns have been addressed mainly by women activists. Senator Carmen Frei complained of her colleagues' reluctance to deal with women's issues: "I asked many times. . . . I wanted them to become involved. But it was futile. To them, everything that has to do with social or women's issues is 'for Carmen' [to do] . . ." (Frei 1993, 151).

ditional social norms, especially at lower levels of education and income, mandate that women remain at home or accept jobs that do not interfere with their domestic and family duties. More affluent and well-educated women have had more opportunities in the labor market and have received better coverage.[9]

Official statistics tend to underestimate the economic contribution of women, however, because much of it is unpaid or accomplished outside the formal economy. In particular, the labor participation of rural women has been insufficiently recognized because productive jobs are often confused with domestic activities, and women tend to be counted as unpaid family workers. This categorization has resulted in a general lack of social protection for women in rural areas. Even when social benefits were extended to rural workers in the 1960s, the marginalization of rural women hardly changed because their employment situation did not improve.

Similarly, in urban areas, poorer and less-educated women working in occupations typical of the informal sector (subcontracting or part-time jobs) have had little social security coverage. Those employed in occasional or temporary jobs and in small enterprises in the informal economy have been unprotected because employers in this sector avoid paying contributions and, when possible, press their workers to apply for noncontributory welfare programs with modest benefits (Mesa-Lago 1990, 29). Children living in households headed by women employed in the informal sector have been less likely to receive any family allowance.[10]

Although women in all social strata face conflicts between the demands of their domestic roles and their work obligations, women who can hire domestic help and possess valuable skills and social contacts enter the better-remunerated formal segments of the job market more easily. Domestic help is still customary for upper- and middle-class families in Chile, even when the wage differentials between employer and employee are not very significant. Domestic servants care for children and do the cooking, cleaning, and other housekeeping chores. By freeing their employers from many of the pressures of family life, servants have facilitated the job stability of more affluent women, their chances for promotions, and their eventual access to better pensions.

By contrast, women working as domestic servants (an occupational

9. The rates of participation in the labor force increase sharply with higher levels of education: women with three years of schooling or less have a 17 percent rate, while women with sixteen years of education or more register a 69 percent rate. At all educational and age levels, the labor participation rates of women without children are twice the rates of those who are mothers (see our table 2; INE 1995, 56–57).

10. Only in 1981, a new subsidy was established to cover family allowances for those working in the informal sector or living in extreme poverty. The number of subsidies was not guaranteed, however, varying according to the resources allocated each year in the state budget.

category containing a large proportion of the female labor force)[11] have received lower wages and lower social benefits than other occupations. Although in the old social security system, coverage for domestic servants was mandatory, employer rates of evasion of contributions was high, and they often contributed for only a fraction of the actual salary. The norms regulating maternity leave and job protection for expectant mothers applied differently to this group. Because domestic servants often live in the homes of their employers, many never marry. Their children, forced to live apart, have been severely unprotected (Alonso, Larraín, and Saldías 1978).

Women and Pensions in the Old Social Security System

Although women's lower salaries and the obstacles they faced to entering the more formal segments of the labor market reduced their social benefits,[12] the treatment of women in the area of retirement pensions was generally favorable, particularly for women affiliated with the more-privileged pension funds. The women covered by the more numerous less-privileged funds had fewer advantages.

The pensions that Chilean men and women formerly received did not differ, despite differences in life expectancy and retirement age. Also, women faced fewer requirements in obtaining pensions than men. Women affiliated with the Servicio de Seguro Social (SSS, the fund for manual workers or *obreros*), and those affiliated with CANAEMPU (Caja Nacional de Empleados Públicos) and EMPART (Caja de Empleados Particulares), the funds for public and private-sector employees or *empleados*, could receive old-age pensions at age fifty-five or sixty. Men could not retire until sixty or sixty-five. Women were eligible for seniority pensions after completing twenty-five years of contributions. By contrast, men employed in the public sector needed thirty years to qualify for these pensions, while men employed in the private sector needed thirty-five years. All manual workers were excluded from this benefit. Finally, some women employed in public administration could retire even earlier by adding one year of contribution for each child they had borne.

Although in the old pension system women were generally treated more favorably than men, few women had access to pension benefits as primary beneficiaries. For example, in the SSS, the largest fund with about 62 percent of the total affiliates, only one-fifth of the recipients were women (Mauriz 1978, 685). As late as the 1980s, a mere 14 percent of women of re-

11. In the 1960 census, women in domestic service represented 34 percent of all working women. In 1970 the percentage went down to 25 percent. In 1982 and 1992, the figures were 24 percent and 25 percent respectively.

12. In the 1950s, women's salaries were 60 percent lower than those of men. In the 1990s, the salary gap had closed to 25 percent (see table 2).

tirement age received pensions, compared with 67 percent of men in the same category (Arellano 1989, 74). Also, women were significantly underrepresented in the funds that granted the highest pensions and the best protection against monetary devaluation: those for the armed forces, members of Congress, cabinet ministers, and high officials in the judiciary.

Unintended Consequences of Women's Differential Treatment

From the beginning, social legislation in Chile included provisions for protecting women in their role as mothers. Minister Jorge Mardones explained in 1954, "When women work at home, they exercise a social function that deserves to be recognized" (cited in Arellano 1985, 83). The protective intention of legislators, however, did not avert the negative impact of discrimination in the labor market and cultural practices, and in some cases it had unanticipated negative consequences for the social welfare of women.

The Chilean state created its first preschool institution in 1906, but only in 1953 did the Ministerio de Educación establish a department for preschool education. More comprehensive legislation was approved in 1970 for the public education of children under six years of age, creating the Junta de Jardines Infantiles. Measures taken to expand the availability of day-care centers were aimed in part at reducing stress among working mothers and facilitating their entrance into the workforce. When public policies required that the care of young children be financed not by the state but by employers,[13] working women received a mix of advantages and indirect costs. The day-care requirement made hiring female laborers more expensive. It probably made job opportunities more scarce in the firms to which this regulation applied, and access to social security benefits was also more limited.

Other benefits that the labor legislation granted to working mothers included a maternity allowance during pregnancy and paid maternity leave (six weeks before and twelve weeks after giving birth). Mothers could not be fired without cause for up to a year following the end of the maternity leave, and they were permitted to be absent from work to care for sick infants. Also, nursing mothers were allowed to interrupt their working hours to feed their babies (Mauriz 1978). These measures, also intended to facilitate women's need to combine the responsibilities of family and work, in many cases discouraged employers from hiring female workers because they had to pay higher labor costs and were forced to rely on less-skilled

13. Ley No. 3,185 of 1917 required establishments employing more than fifty women to have on-site day-care centers for the children of workers. Later, the Labor Code of 1931 lowered the required number of female workers to twenty.

and less-experienced substitutes when their female employees were absent due to pregnancy and illness.[14]

Regulations intended to protect women from dangerous working conditions, such as laws that prohibited employing women in night shifts as well as in certain economic activities, also had negative unintended effects in reducing women's income and employment opportunities. For example, women were excluded until 1991 from mining, one of the most remunerative sectors in the country (INE 1995).

Women's Situation under the Old Social Security System

In the old system, women's access to social benefits reflected their subordinate position in social and occupational structures as well as the patriarchal attitudes of legislators and policy makers. Women working in the formal economy in Chile enjoyed more benefits than their counterparts in some more industrialized countries. When compared with men, Chilean women had some advantages in the pension system. For the most part, however, women's social benefits were contingent on their relationship to an insured male worker and their role in the labor market.

At least three distinct categories can be identified in women's situation in the social security system prior to the reform of 1981.[15]

Women receiving benefits as dependents / These included widows receiving pensions, spouses eligible for maternity and other medical care, and spouses and widowed mothers receiving family allowances. The requirements for these benefits as well as their quality depended on the position of the insured worker in the occupational hierarchy.[16]

Women receiving benefits as contributors / These women's benefits depended on the contributions they made to the system. Three subgroups can be distinguished in this category. First, women employed in nonmanual occupations received benefits above the national average. Second, for women employed in manual occupations, coverage was obtained early, but benefits were lower than the national average. The third category consists of women employed as domestic servants.

14. "In the long run, women are ruinous for industry," said an entrepreneur in the shoe industry (Ribeiro and de Barbieri 1978, 304).

15. This section is based in part on analysis done by Mesa-Lago (1978) on the evolution of the social security benefits granted to various occupational groups in Chile.

16. In general, higher-income groups tended to have a better coverage. But variations existed in specific benefits. For example, manual workers had free health care, whereas nonmanual workers had to pay part of the cost (Mesa-Lago 1978).

Women with limited access to social security benefits / This category contains two subgroups. The first consisted of women who were dependent on but not legally related to an insured worker (such as concubines or unmarried mothers whose children were illegitimate or unrecognized by their fathers). The second group was made up of women in traditional agriculture and occupations typical of the urban informal sector (self-employed, occasional, or temporary workers, unpaid family workers). They received little and tardy coverage and were poorly protected by the labor legislation.[17]

NEOCONSERVATIVE REFORMS AND WOMEN'S SOCIAL WELFARE

After the military coup in 1973, many social policies were discontinued as a minimalist perspective on provision of social services was adopted. According to the new diagnosis, low rates of investment and chronic inflation would be solved by reducing state interventionism and targeting the poorest groups for social expenditures.

By the late 1970s, the old welfare system had been dismantled by drastic reductions in spending on education, health care, housing, and social security (Arenas de Mesa, Mesa-Lago, and Montecinos n.d.). In the early 1980s, a major financial crisis accentuated the regressive effects of the reforms introduced in the 1970s. The unemployment rate soared to 30 percent, and the poverty level reached about 40 percent of the population (Meller 1990). By the late 1980s, market reforms were promoting economic growth and monetary stability, but the regressive impact on income distribution continued to hurt large segments of the population.

Market reforms increased women's economic vulnerability (Montecinos 1994).[18] Marked reductions in state personnel, especially in health and education, left a large number of women without jobs, as did the decline in industrial employment.

Women consequently had to cope with a tighter job market, and more were forced to support their families alone due to the increase in separations and abandonment.[19] Households headed by women experienced

17. In the mid-1960s, while 90 percent of manual and nonmanual workers were covered by social benefits, only 14 percent of self-employed workers were. As late as 1987, only 10 percent of self-employed workers were affiliated with the system, but less than 50 percent of them were contributing actively (Mesa-Lago 1994). Presently, coverage for self-employed workers is voluntary.

18. The rate of female labor participation increased from 22 percent to 33 percent between 1970 and 1994 (ILO 1989, 1995). Lower-income women had to assume a more active participation in generating the family income, taking jobs in the informal sector and domestic service.

19. To an important extent, adjustments in the family economy were achieved through intensification of unpaid domestic work. To ensure minimum subsistence, women had to produce what was previously bought and to sell durable goods, such as washing machines and

greater poverty due to women's lower earnings and limited access to credit. Using data from a 1987 CASEN survey, Mariana Schkolnik (1992) found that at the national level, 21.5 percent of households were headed by women. Despite having a lower dependency rate (the ratio of dependents to workers), these households were disadvantaged in several ways. The income generated by female heads of households was half of what male heads of households received, when national averages were compared.[20] Second, more women heads of household were out of the labor force (60 percent were inactive, compared with 29 percent of men heads of households) or were employed in the informal sector (53 percent compared with 29 percent of men heads of household). Third, women had access to a larger number of social programs, but the subsidies they received were lower (households headed by men have better access to family allowances and housing subsidies).

The military government created a social network to protect the poorest groups through a variety of individualized subsidies, including emergency employment programs with a high percentage of affiliated women (see Graham 1993). But strict selection criteria excluded many groups from health care and other benefits (Vergara 1990; Raczynski and Romaguera 1995). To compensate for the decline in state services, community activities and nongovernmental organizations fostered a variety of social programs in which women participated actively (González Meyer 1992).

Although some social benefits were equalized during this period (family allowances, minimum pensions, requirements for pensions), the real value of wages and pensions plummeted. In the late 1980s, several years after the social security reform, only 56 percent of workers and their families had social security coverage due to the high rates of unemployment, weak enforcement of labor laws, and more widespread use of employment arrangements without stability and benefits. A high percentage of those not covered are women, especially in the category of old-age pensions (Arellano 1989).

Some measures adopted during this period benefited women, especially the programs that did not require contributions and targeted the poorest groups. These benefits involved paltry amounts, but women and other previously unprotected groups began to receive a family allowance

refrigerators. In some cases, children were sent to live with relatives to reduce costs, or new members were incorporated into the family to increase income (Raczynski and Serrano 1985; Velasco and Leppe 1989).

20. Schkolnik (1992) has shown that the income differences between households headed by men and women decrease when the average household income and per capita income are calculated. In households headed by women, they tend not to be the main or only providers because the economic contribution of children (who enter the labor market prematurely) and other family members is significant.

(Subsidio Unico Familiar or SUF) and special nutritional and health care programs for indigents and pregnant women, while their access to welfare pensions improved. Cuts in social expenditures did not alter the historical emphasis on public health care for mothers and children.

Gender Inequalities after the Social Security Reform of 1980–1981

The strategy of reducing the size and functions of the state and promoting private initiatives in social policy had four goals at its core: creating a private health-care system (Instituciones de Salud Previsional, or ISAPRES), privatizing and decentralizing the educational system, developing the private housing market, and privatizing the pension system.[21] The social security reform, implemented in 1981, transformed the public pay-as-you-go system, which was gender neutral in the formula for pension calculation, into a private annuity system with gender differentiation in its formula.[22] With funds administered by private, for-profit corporations (Administradoras de Fondos de Pensiones, or AFP), the new pension system will completely replace the old public system after a transition period of about fifty-five years.[23] Unlike the old system, the new private system protects pensions against inflation: pensions are paid in a monetary unit (Unidad de Fomento or UF) that allows pension payments in constant prices. Also, the reform increased access to survivors' pensions for women who are not legally dependent on insured workers (Bustamante 1988, 112).

As to the value of pensions, it is still unclear whether the reform will improve the pensions that affiliates receive. Comparison of the pensions paid by the old and the new systems would require estimates of the replacement rate of pension to salary. The pensions granted so far in the new system are not representative in that they are largely determined by the contributions made by the insured under the public system (the so-called *bono de reconocimiento*). Moreover, pensions that the new system is currently paying represent only a small fraction of the total insured (270,000 pensions out of more than 5.3 million affiliates). The state is still paying more than 1 million pensions a month, around 55 percent of which are minimum pensions.

Estimates of the value of future pensions within the AFP system

21. The reform of the social security system was functional for the privatization of state enterprises, which began in 1985. In 1990 the stocks of privatized public enterprises reached 10 percent of the pension funds, or about 2.5 percent of GDP (Arellano 1985; Marcel and Arenas 1992; Arenas de Mesa, Mesa-Lago, and Montecinos n.d.).

22. For a more detailed analysis of the evolution and operation of the private pension system, see Arellano (1985), Cheyre (1988), Iglesias and Acuña (1991), CIEDESS (1992), Gillion and Bonilla (1992), Marcel and Arenas (1992), Mesa-Lago (1994), Baeza and Margozzini (1995), and Mesa-Lago and Arenas de Mesa (n.d.).

23. The new private pension system (AFP) remains closely related to the state, however. For example, minimum pensions are guaranteed by the state.

vary. But few analysts have addressed the differential effect that the private pension system will have on men and on women (Iglesias and Acuña 1991; CIEDESS 1992; Arenas de Mesa n.d.; Arenas de Mesa and Bertranou 1997). Our analysis focuses on the gender impact of the social security reform in terms of the benefits provided by the new system as well as the requirements to qualify for benefits.

Changes in requirements and the calculation of pensions / New gender inequalities resulted from the implementation of the social security reform. By *gender inequalities,* we mean those differences in the private pension system in calculating pensions that derive from the sex of the affiliates. Gender inequalities in the AFP system can be separated into "direct inequalities" originating in the rules of the pension market and "indirect inequalities" stemming from the labor market (pre-pension market).

The new private pension system added several new factors to the formula to be used to calculate pensions. The new factors are summarized in table 1. The first factor is the fund accumulated in the individual capitalization accounts. This fund depends in turn on remunerations, the rate of return of the pension fund in the financial market, the fixed commission charged by the AFPs, and the number of years of contribution. The additional three factors are age at retirement, the life expectancy of the affiliated person, and the number and ages of dependent family members.

Under the old system, both the level of remunerations and the years of contributions were used as parameters for determining pensions. Acknowledging that individuals have periods of unemployment and other interruptions in their working careers, the old system required that the years of contributions that women needed to obtain their full pension benefits amounted to less than 100 percent of their working life (see table 1). In addition, in the public system, pensions were calculated on the basis of the salaries earned in the last working years (one, three, or five years, depending on the fund). In the new system, pensions are based on the salaries and contributions made over the entire working lives of the affiliates. This change affected women's pensions more negatively because they tend to have lower rates of labor participation and thus fewer years of contributions.

The most relevant direct gender inequality is the current inclusion of different actuarial factors in the formulas for estimating pensions. When life expectancy is included, the pension benefits of women are lower than those of men's because women tend to live longer.

In the old system, differences in retirement age favored women. For example, women retiring at age sixty and men retiring at age sixty-five received the same pensions if their salaries in the years shortly preceding retirement were the same and both had the required years of contributions. In the new system, an implicit incentive has been created for women to retire after age sixty to increase their pensions. Women who retire at age sixty pay

https://doi.org/10.1017/S0023879100039352 Published online by Cambridge University Press

TABLE 2 *Labor Participation, the Pension Market, and Women in Chile, 1950–1997, in Percentages*

Years	Women as % of Labor Force	Women's Participation Rate	Wage Gap Women to Men[a]
1950	17.5	20.1	38.0[b]
1960		19.7	46.0
1965	22.0		53.0
1970	23.0	18.1	60.0
1980	29.3	19.8	68.0
1985	30.7	24.2	69.0
1989	30.8	27.0[c]	71.0
1992	32.0	28.1	
1993	32.5	34.9	
1994	32.7	38.6	
1995	32.9	34.0	
1996	32.4	33.1	
1997			

Sources: Lucía Pardo, "Una interpretación de la evidencia en la participación de las mujeres en la fuerza de trabajo: Gran Santiago, 1957–1987" (Santiago: Universidad de Chile, 1989); ILO, *Yearbook of Labour Statistics* (Geneva: ILO, 1994, 1995); Alberto Arenas de Mesa, Carmelo Mesa-Lago, and Verónica Montecinos, "Chile," in Carmelo Mesa-Lago, *Market, Socialist, and Mixed Economies: Comparative Policy and Performance, Chile, Cuba, and Costa Rica* (Baltimore,

these costs: their contributions are five years fewer, and therefore their accumulated funds are smaller; and with the funds accumulated in their accounts, women have to finance a longer retirement period than men because they retire younger and live an average of seven years longer than men.

Women affiliated with the new system also lose in terms of contribution requirements. Currently, to qualify for the old-age minimum pension, twenty years of contributions are necessary. To receive a minimum pension at age sixty, women who start working at age twenty must contribute for at least 50 percent of their affiliation time. For women who start working at age twenty-four (such as women with higher education), the required contributions represent 66 percent of their affiliation time. In the old system, there was no contribution requirement for women (and men needed less than eight years of contributions).[24] Because marriage and reproduction tend to cause more interruptions in the careers of working women, the new requirements are relatively more burdensome for female workers. More women than men will not complete the twenty years required for this benefit.

24. In the Caja del Servicio de Seguro Social (SSS), the most representative of the old public pension system, men could obtain this benefit with only 15.3 years of affiliation and 7.7 years of contributions. Women needed 9.6 years of affiliation and were not required to contribute (see our table 1; Arellano 1989).

TABLE 2 (continued)

Contributory Wages AFP Women to Men	*Contributors to AFP/ Employed Workers*		*Contributors to Affiliates w/AFP*	
	Men	*Women*	*Men*	*Women*
	34.6	37.8	57.9	57.9
69.9	42.7	44.8	58.6	49.2
73.1	47.8	48.9	56.2	44.5
76.8	47.4	47.7	54.9	42.8
77.8	48.8	49.0	53.0	41.5
78.4	49.2	50.3	51.6	40.3
81.0	46.5	51.5	50.4	39.0
82.2	47.6	53.4	51.0	39.1

Md.: Johns Hopkins University Press, forthcoming); and Superintendencia de Administradoras de Fondos de Pensiones (SAFP), *Boletín Estadístico,* 1998).

[a] Data for Santiago
[b] 1957
[c] 1990

Other direct inequalities in the new system involve the commissions charged by the AFPs to their affiliates (especially the fixed commission) and the yield of pension funds in the financial market.[25] Women's taxable income averages 23 to 30 percent lower than the taxable income of men (see table 2). Consequently, the fixed commission that the AFPs charge is more onerous for women (and other lower-income groups). Various studies, including the official figures provided by the SAFP (Superintendencia de AFPs) have shown that for higher salaries, the yield tends to be higher.

Inequities that women experience in the labor market lead to indirect gender inequalities in the pension system. In the AFP system, a positive correlation exists among salaries, accumulated funds, and the value of pensions: higher salaries generate higher pensions. Because women receive lower salaries on average, their pensions are lower than men's. In the public system, the gap between men and women was smaller because the period considered in calculating pensions was shorter (only the years prior to retirement).

25. The fixed commission has been considered a regressive feature of the new system. This factor is partly compensated by the state guarantee of a minimum pension for lower-income groups. But middle-income groups as well as those who lack the twenty years of required contributions do not qualify for this state benefit and therefore are not compensated for the regressivity of the fixed commission.

The rate of labor participation is another indirect source of gender inequality in the private pension system. SAFP data indicate that in the 1990s, only 44 percent of the women affiliated were actually contributing. By contrast, 55 percent of the affiliated men were making contributions (see table 2).[26] If women contribute fewer years, their pensions will be lower because their accumulated funds are smaller.

If equal salaries between men and women are assumed, the differential gender impact of the fixed commission disappears. Also, if no differences in salaries existed, the inequalities in yield would be partially eliminated. But gender differences remain if men continue to make contributions in the system five years longer than women do.

If women retire at the same age as men under the new system, the following effects result. First, inequities stemming from retirement age, fixed commission, and real return of pension funds would disappear, assuming that labor-market inequalities did not exist. Second, inequities originating in the actuarial formula used to calculate pensions would remain because gender differences in life expectancy would continue to lower women's pensions as compared with men's. Third, to receive pensions similar to the pensions of men, women would have to increase their number of years in the labor market or increase their savings through extra contributions in the pre-retirement period.

In sum, the 1980–1981 reform of the social security system has not been neutral in its gender impact. Changes in the requirements for pension benefits intensified gender inequities in the labor market. Because of differences in calculating women's and men's pensions in the new system, women will receive lower pensions on average than men.

Women, minimum pensions, and fiscal expenditures / Evaluations of the social security reform, in terms of its medium- and long-term impact on the fiscal budget, must include gender as a variable. Estimates indicate that state expenditures on the minimum pension program will be higher for women than for men (Wagner 1990).[27] Salvador Zurita (1994) has calculated that annual public expenditures on minimum pensions will represent 3 percent of the gross domestic product (GDP). State expenditures in this category could reach 60 million dollars by the end of the 1990s (Ortúzar 1988).[28]

26. Registration problems and the double counting of affiliates that abandon the labor force are probably the main cause of such low rates of compliance in the new private system (Arenas de Mesa 1997).

27. In 1993 women represented 61 percent of the beneficiaries in the public pension system and 71 percent of the recipients of minimum pensions.

28. In December 1994, the minimum pension was 39,000 pesos a month for Chileans seventy or younger and 41,097 pesos for those over seventy (about 100 dollars U.S.). Between 1990 and 1994, the minimum pension was increased by 100 percent (SAFP 1995).

Comparing women's and men's pensions in the AFP system / In the public system, income differences by gender were not altered when individuals moved from the labor market to the pension market (assuming that minimum contributions were satisfied). For the 280,000 contributors who remained in the old public system as of December 1995, no differences will exist between men's and women's pensions if their salaries and years of contribution are similar.

In the private pension system, by contrast, salary differentials between men and women increase after retirement. Women who initiate their working life earning 75 percent of what men earn will receive pensions that are 35 to 45 percent of men's pensions (the difference will be greater the later women enter the labor force and the higher the annual rate of return of their retirement funds). If no labor-market differentials existed (if salaries and years of contribution were equal), women's pensions would still be only 52 to 76 percent of men's pensions (Arenas de Mesa n.d.).

It could be argued that men's pensions are higher because their retirement age is older and they remain active contributors in the AFP system for a longer period of time (the difference between retirement at sixty and sixty-five years of age). But differences in retirement age existed in the previous public pension system and no gender differences resulted in pension benefits. It is because of the reform that women must retire later to match the pensions of men. Assuming similar conditions in the labor market, the pensions received by women who retire at age sixty-five will average approximately 90 percent of men's pensions. Even if all the parameters used to calculate pensions were equal, gender inequalities would persist due to the different actuarial factors used for men and women. Women would have to retire at ages sixty-six and sixty-seven to receive pensions similar to the pensions of men who earned the same salary. When the actual differences in the years of contribution and income profiles of men and women are considered, women would have to retire at an even older age to receive the level of pensions obtained by men.

Finally, in the old pension system, no differences existed between the pensions of workers with and without dependents. According to the rules of the new system, the pension of a man who retires at age sixty-five with a sixty-year-old dependent spouse will be only 77 percent of the pension of a man who retires at age sixty-five with no dependents. Comparing men with dependents and women without dependents, women's pensions are still lower than men's pensions (Arenas de Mesa n.d.). Thus women and men with dependents at the time of retirement are disadvantaged. This situation is particularly serious for insured women, whose male dependents receive benefits only if they are disabled. In general, the higher the needs, the lower the benefits that the system grants (Arellano 1989).

Analysts at the International Labour Organization have calculated that in the private AFP system, the substitution rate among retired men (the ratio between pensions and final salaries) would be only 44 percent (Gillion and Bonilla 1992). The results of this study have generated controversy (Baeza 1993; Bustos-Castillo 1993). It has been argued that the private system was designed to provide a substitution rate of about 70 percent of the average salary that retirees earned in the last ten years of work.[29] The 70 percent substitution rate seems to have been a goal estimated for persons who contribute until age sixty-five. The typical case used for this calculation was probably a man rather than a woman.[30]

Although it is hard to predict the actual replacement rate under the private system, given the information available and the variety of assumptions used in the simulations,[31] women will find it more difficult to achieve the goal of 70 percent replacement rate assumed in the new pension system. In a 1992 study, it was argued that with a 5 percent annual rate of return for the pension funds, women's replacement rates would be between 52 and 57 percent, and men's rates would fluctuate between 81 and 86 percent, assuming contributions for 93 and 90 percent of one's working life (CIEDESS 1992). If women's contributions are 70 percent of their participation in the labor market, the replacement rates for women would fluctuate between 32 and 46 percent (with a 5 percent annual yield of their pension funds). In other words, women's pensions would be only a third or not more than a half of their last salary. For men, pensions would be between 58 percent and 83 percent of their last salary.[32] Under these assumptions, to obtain a 70 percent substitution rate, the real annual yield of pension funds would have to vary between 7.7 percent and 10 percent for women and between 5.4 percent and 7 percent for men (Arenas de Mesa n.d.).

ECONOMIC GROWTH, SOCIAL EQUITY, AND WOMEN IN THE 1990S

The strategy followed by the administration of President Patricio Aylwin, elected in 1989 with the support of a Center-Left coalition, was to promote legal reforms and policies that would maintain a stable institutional order for developing economic activities. The basic orientation in the economic policy of the period 1985–1989 was maintained: a free-capital

29. The pensions granted in the next few years will not necessarily be representative of the private system because 60 to 75 percent of the funds accumulated in the individual accounts of the affiliates will come from the "bonos de reconocimiento," which represent contributions made by the insured into the old public system.

30. Disability pensions and other benefits are also calculated on the basis of a 70 percent substitution rate. See Decreto Ley No. 3,500 and Bustamante (1988).

31. Studies estimating different replacement rates include Cheyre (1988), Margozzini (1988), CIEDESS (1992), Gillion and Bonilla (1992), Bustos-Castillo (1993), and Arenas de Mesa (n.d.).

32. The gender differences in substitution rates will depend on the time the affiliates entered the labor market, among other factors.

market, an open economy, and active participation by the private sector. But state participation in social programs was expanded to improve the living standards of lower-income groups and to reform the operation of the labor market. Real public expenditures oriented toward social investment and vulnerable groups (children, unemployed youth, women heads of household, and small entrepreneurs) were increased by 160 percent in this period (Ministerio de Hacienda 1993, 1994).[33]

Labor policies included salary improvements, increased job protection, stronger labor organizations, and protection for union leaders. Incentives were introduced to encourage greater female participation in the labor market: preschool education was expanded and rules prohibiting the employment of women in certain occupations were eliminated. Also, partial improvements have been made in the conditions of domestic servants: a new formula for minimum wages was established, working hours were regulated, and an indemnization fund for fired workers was created. National accords between the main organizations of workers and employers were implemented. Also, training programs were financed for young workers, a group seriously harmed by unemployment (Meller 1992; Ministerio de Hacienda 1992, 1993; Cortázar 1993; Arenas de Mesa, Mesa-Lago, and Montecinos n.d.).

Among the institutional changes was the creation in 1991 of the Servicio Nacional de la Mujer (SERNAM), an agency charged with designing and coordinating public policies to enhance equal rights and opportunities for women. SERNAM participated in legal reforms aimed at reducing discrimination against women in civil, legal, labor, and educational matters.[34]

Social Policies and Gender

In the 1990s, social policies have included several initiatives relevant to the situation of women, including the creation of one hundred thousand new beneficiaries in the family allowance program (SUF) in 1992. Also, public pensions were adjusted above the rate of inflation (60 percent of minimum pensions, and 65 percent of welfare pensions are paid to women in the public system); and expenditures in minimum pensions increased by 150 million dollars in this period. In 1994 new norms increased maternity subsidies, and in 1995 pensions below 300 dollars received a special increase of 10 percent above inflation, which improved the situation of 90

33. Social expenditures increased by 1.5 billion dollars, or 40 percent of the real accumulated growth in this period. At the same time, real public spending on social security increased by 5.5 percent annually.

34. SERNAM was given ministerial rank. The head of the agency was the only woman in the cabinet between March 1990 and March 1994.

percent of the women who had retired under the old system (Cortázar 1993; Ministerio de Hacienda 1993, 1994).

A series of measures have been adopted in the last few years to improve the private pension system, but gender differences in benefits have not been on the policy agenda.[35] The specific problems of discrimination in the calculation of pensions and other biases limiting women's access to retirement benefits have not been adequately debated.[36]

Between 1989 and 1995, over half of the women employed in the labor market did not contribute to the pension system, although coverage for women (the ratio of contributors to employed workers) has increased from 45 to 50 percent between 1989 and 1995. Moreover, the ratio of contributors to affiliates among women declined from 49 percent to 40 percent in this period (see table 2; SAFP 1989–1995).[37]

In these years, the transfer of individuals from the old public health system to the private ISAPRES continued.[38] The 1981 law that created the ISAPRES was modified in 1995, but the higher cost faced by women in the private health-care system was not changed. In the private system, even if women earn salaries equal to men, they are entitled to fewer benefits. The differences are mainly due to the cost of maternity, which is financed by women only. Differences in the benefits of men and women increase among Chileans fifty and older due to differences in their biomedical profiles. In the public system, no gender differences existed in health care. Although women received more services related to maternity, men and women of all ages and equal salaries had the same benefits.

35. The payment of pensions was accelerated; the information that the AFPs give to their affiliates was made more transparent; and interest and fines due to delays in the payment of contributions were increased. The payment of "bonos de reconocimiento" by the state was sped up from nine to three months. New benefits were established, such as the individual indemnization account for domestic servants. In 1994 the law to improve operation of capital markets was approved, including changes in pension funds market, mutual funds, and life insurance companies. Despite these measures, unsolved problems remain, such as the high concentration of affiliates in a few AFPs, the low coverage of self-employed workers, the growing number of affiliates who do not make contributions, high administrative costs, regressive effects of the fixed commission, and the low level of information about the new pension system (Arenas de Mesa and Marcel 1993; Cortázar 1993; Arenas de Mesa, Mesa-Lago, and Montecinos n.d.).

36. In the late 1980s, feminist activists were still claiming the right of housewives to receive pensions and the return to pensions at age fifty-five, rather than addressing the specific problems created by the reform (Molina 1989).

37. Between 1989 and 1994, the percentage of women in the workforce increased from 30.8 percent to 32.7 percent. Women's rate of labor participation increased from 22 percent to 39 percent in a similar period. Thus female employment increased at a rate of 4.5 percent per year in this period, twice the rate of increase in male employment (2.3 percent annual).

38. ISAPRE affiliates increased from 705,638 to 1,460,100 in this period. The number of ISAPRES went from thirty-one to thirty-six, increasing their coverage from 13.5 percent to 28.1 percent of the population.

In summary, between 1990 and 1994, policies have been introduced to facilitate women's participation in the workforce. In the social arena, women and children have benefited from the growth in resources allocated to health care, social security, education, and housing. But the problems that women face in the private pension system (AFP) and the private health care system (ISAPRES) have not been adequately addressed.

Without a coherent approach to gender issues, can the economic model of growth with equity find effective solutions to these problems? Until now, advances in the situation of women seem more the result of efforts made at SERNAM to incorporate the gender dimension in making public policies than the product of generalized awareness of the existence of gender discrimination and its impact on the lives of women (Guzmán, Lerda, and Salazar 1994).

CONCLUDING COMMENTS

The evidence presented here indicates that the effects of the reform implemented in Chile in 1980–1981 have not been neutral in terms of gender. The private pension system is based on the logic of private insurance systems, in which affiliates receive benefits according to individual contributions and levels of risk. The private system has moderated some of the risks of the period before the reform: pension benefits are now indexed for inflation, and pension funds are less prone to politicized mismanagement. But the fact that the system is mandatory for all workers (except self-employed workers) has created unanticipated consequences, especially regarding the welfare of women. Being forced to enter a system in which continuity of contributions is crucial and pension benefits are contingent on fluctuations in the financial market adds to the risks of female workers during their labor careers: higher unemployment, greater labor instability, and lower income.

The differential impact that state actions have on Chilean men and women has received surprisingly little attention. Everyday life experience shows clearly that institutional and cultural patterns define different responsibilities and needs for women and men in their public and private roles. Only in the last two decades have social scientists initiated systematic efforts to compensate for the previous lack of attention to gender as a significant variable. This change in focus in the scholarly community is also being adopted in political debates. So far, however, progress has been tentative and slow. It is important that the gender dimension be included explicitly in the search for new approaches to designing public policies, particularly those that affect women.

In the past, state actions intended to protect women as a dependent group left many needs of women and children unsatisfied. Purely protectionist policies that do not alter women's subordination may create unintended negative consequences for women's welfare. Moreover, assumptions that the typical worker or typical retiree is a man give rise to erroneous estimates and injustices toward women. Nor is it realistic to assume that because state managers tend to ignore gender differences, the policies they design are gender neutral. Instead of taking gender neutrality as a given, state programs should consider the various forms of subordination to which women are subjected: the various degrees of legal and economic dependency, the barriers to political participation, the obstacles to obtaining paid jobs, instability and segregation in the labor market, and the risks of oppression in their private lives (in the forms of unpaid labor and violence). Moreover, social policies should favor women's interests if they intend to improve the level of family well-being, particularly in the poorest groups.

In terms of the privatized pension funds, only a few studies mention the problems that women face under the new system.[39] Even among women scholars and feminist activists, the subject seems to have been neglected or inadequately understood. The lack of debate and scholarly interest could have significant consequences. The rules of the new system are affecting women's strategies of savings, occupations, and reproduction (the number of children they have and their spacing).

Several countries have considered the Chilean system as a model for reforming their own social security systems. During the Econometrics Congress held in Japan in August 1995, a day-long session was devoted to discussing the Chilean model of private pensions and possible implementation of a similar system in the United States (see among others Imrohoroglu, Huang, and Sargent n.d.). Lessons from the Chilean reform continue to be cited in policy debates regarding changes in the social security system in the United States (Feldstein 1996). In those debates, the gender impact of the reform should be considered explicitly.

The gender inequalities introduced by the private pension system could be partially avoided if women took the following three steps. First, they optimally selected an AFP in the private pension market, one that does not charge a fixed commission to affiliates and has high and stable real rates of return on investments. Second, women made additional voluntary savings to their individual accounts before retirement. Third, they retired after age sixty to increase their accumulated funds and shorten their retirement period. These kinds of individual actions, however, would not reduce the inequalities that affect all women affiliated with the private pension system, such as the inequalities that women experience in the labor market or the use of different actuarial factors in calculating women's pensions. These inequalities need to be addressed through state policies that explicitly in-

39. See Arellano (1985, 1989), Wagner (1990), Gillion and Bonilla (1992), Arenas de Mesa (n.d.), and Arenas de Mesa and Bertranou (1997).

clude gender. The emerging debates on gender and the welfare state should be taken into account, as well as various social protection schemes currently in use. In the United States, for example, complementary and voluntary private pension schemes offer annuities using common actuarial factors for men and women, with an implicit transfer from men to women. The same kind of policy (common actuarial factors) has been demanded by women in Argentina through formal petitions directed to the authorities of the new private pension system.[40]

The new system of individual capitalization is sufficiently different from the old system for the authorities to have promoted massive educational campaigns, particularly among groups that lost benefits or for whom access to pensions will be significantly limited. Survey data show that affiliates in the new system are seriously confused and lack information regarding the operation of the AFPs. Yet such a campaign has not been implemented. In the last few years, efforts have been made to clarify that the AFPs vary in terms of the commission they charge as well as in their level of profits. But the public has not been informed of the differences that men and women face in the private system compared with the benefits they had in the old system.

Women should realize that under the new system, every year in the labor market is considered in calculating their pensions (unlike the old system that counted only the last few years of work). Thus women who take time off from working for any reason will receive lower pensions than those who work without interruptions. Women should also know that the actuarial factors used to calculate their pensions differ from the ones used for men's pensions. The pensions that women receive in the new system are lower than men's because the average life expectancy of women is longer than men's. Women should consider that although the system allows them to retire five years earlier than men, early retirement reduces even further the amount of their pensions. To match the pensions that men receive, women must work longer than men, retiring after the age of sixty-five.

The new system has solved a pervasive problem in the old public system: the erosion in the monetary value of pensions. Currently, pensions are paid in a monetary unit (Unidad de Fomento, or UF) that maintains benefits in real terms. Minimum pensions, however, are not paid in UF. It is likely that minimum pensions, which are guaranteed by the state but not automatically protected against inflation, will go primarily to women with insufficient savings. Because those eligible for minimum pensions must

40. One difference between the pension reforms in Argentina and Chile is that in Argentina, workers are not obliged to join the private scheme but can remain in the reformed public system. See the gender effects of the Argentine pension reform in Arenas de Mesa and Bertranou (1997).

have at least twenty years of contributions (about half of a working life), many workers will not qualify even for this benefit. Women's more unstable participation in the formal labor market is likely to prevent many female workers from qualifying for this benefit. Those who are ineligible for minimum pensions will probably turn to welfare pensions in their old age, creating a new fiscal imbalance.

The private pension system thus reinforces the gender inequalities generated in the labor market. The rules of the new system make it more difficult for Chileans with jobs that are not stable or legally protected to receive an adequate income in their old age. The new private pension system punishes maternity: women pay higher costs for bearing children if it leads them to interrupt their participation in the labor market, to stop making contributions, or to lose productivity and income. The economic cost of lower pensions will be added to the solitude and social stigma that women already face in their old age. Because the new social security system deepens gender inequality, serious debate is needed to identify possible ways to adjust the current situation.

APPENDIX 1 *Chilean Social Legislation and Women, 1920–1994*

1920s

Mandatory social insurance (old age and disability pensions) for blue-collar workers (obreros) (1924)
Health care (hospitalization, dental care, and medicines) for blue-collar workers (1924)
Social insurance and health insurance for domestic workers (1924)
Health care during pregnancy for blue-collar workers (1924)
Old-age pensions for while-collar workers (empleados) (1924)
Old-age pensions and health care for public employees (1925)

1930s

Family allowance for white-collar workers (1937)
Preventive medicine for all insured workers (1938)
Maternity care extended for the wives of insured blue-collar workers (1938)
Health care for the wives and children of insured blue-collar workers (1938)

1940s

Pensions and maternity medical care for banking employees (1946)
Health care for white-collar workers (1942)

1950s

Health insurance and maternity care for indigents (1952)
Family allowances for public employees, police, armed forces (1952)
Family allowance for blue-collar workers (1953)
Maternity medical care for employed women in the private and state sectors (1953)

1960s

Welfare pensions (1961)
Maternity medical care for public employees and their wives (1968)
Maternity care for the family of white-collar workers (1968)
Health care for agricultural workers (1968)
Health care for retirees (1968)

1970s

Pensions and health care for artisans, small merchants, and other self-employed persons (1972)
Welfare pensions for workers sixty-five or older and for disabled individuals not covered by the social security system (1975)

1980s

Fixed (flat) family subsidy (SUF). Family allowances extended for children under age six in poor families without social security coverage (1981)
Pensions for the mothers of illegitimate children and for illegitimate children (1981, AFP system)

1990s

Indemnization against all risks for domestic servants (1990)
Norms that prohibited the employment of women in certain occupations were eliminated (1991)
New norms on family protection: men and women are allowed to leave their jobs to take care of their infant children (in the past, norms allowed only women to leave their jobs) (1993)
New norms regulating maternity subsidies (1994)

Source: Information for the years 1920 to 1975 based on Mesa-Lago (1978).

REFERENCES

ALONSO, PABLO, MARIA ROSA LARRAIN, AND ROBERTO SALDIAS
1978 "Las empleadas de casa particular: Algunos antecedentes." In COVARRUBIAS AND FRANCO 1978, 399–422.

ARELLANO, JOSE PABLO
1985 *Políticas sociales y desarrollo: Chile, 1924–1984*. Santiago: CIEPLAN.
1989 "La seguridad social en Chile en los 90." *CIEPLAN Colección Estudios*, no. 27 (Dec.): 63–82.

ARENAS DE MESA, ALBERTO
1997 "Learning from the Privatization of the Social Security Pension System in Chile: Macroeconomic Effects, Lessons, and Challenges." Ph.D. diss., University of Pittsburgh.
n.d. "The Gender Effect of the Social Security Reform in Chile: Inequalities and Lesson of Policies." Manuscript.

ARENAS DE MESA, ALBERTO, AND FABIO BERTRANOU
1997 "Learning from Social Security Reforms: Two Different Cases, Chile and Argentina." *World Development* 25, no. 3 (Mar.):329–48.

ARENAS DE MESA, ALBERTO, AND MARIO MARCEL C.
1993 "Proyecciones de gasto previsional, 1992–2038: Un modelo de simulación para los bonos de reconocimiento." Documento de Trabajo. Santiago: Dirección de Presupuestos, Ministerio de Hacienda.

https://doi.org/10.1017/S0023879100039352 Published online by Cambridge University Press

ARENAS DE MESA, ALBERTO, CARMELO MESA-LAGO, AND VERONICA MONTECINOS
n.d. "Chile." In Carmelo Mesa-Lago, *Market, Socialist, and Mixed Economies: Comparative Policy and Performance, Chile, Cuba, and Costa Rica.* Baltimore, Md.: Johns Hopkins University Press, forthcoming.

BAEZA, SERGIO
1993 "Monto de las pensiones pagadas por las AFP." *Puntos de Referencia.* Santiago: Centro de Estudios Públicos (CEP).

BAEZA, SERGIO, AND RODRIGO MANUBENS, EDS.
1988 *El sistema privado de pensiones en Chile.* Santiago: Centro de Estudios Públicos (CEP).

BAEZA, SERGIO, AND FRANCISCO MARGOZZINI, EDS.
1995 *Quince años después: Una mirada al sistema privado de pensiones.* Santiago: Centro de Estudios Públicos (CEP).

BORZUTZKY, SILVIA
1983 "Chilean Politics and Social Security Policies." Ph.D. diss., University of Pittsburgh.

BUSTAMANTE, JULIO
1988 *Funcionamiento del nuevo sistema de pensiones.* Santiago: Instituto de Capacitación y Racionalización de Empresas (ICARE).

BUSTOS-CASTILLO, RAUL
1993 "Analysis of a National Private Pension Scheme: The Case of Chile, Comments." *International Labour Review* 132, no. 3:407–16.

CHANEY, ELSA M.
1973 "Women in Latin American Politics: The Case of Peru and Chile." In *Female and Male in Latin America,* edited by Ann Pescatello, 103–39. Pittsburgh, Pa.: University of Pittsburgh Press.

CHEYRE, HERMAN
1988 *La previsión en Chile ayer y hoy.* Santiago: Centro de Estudios Públicos (CEP).

CIEDESS (CORPORACION DE INVESTIGACION, ESTUDIOS Y DESARROLLO DE LA SEGURIDAD SOCIAL)
1992 *Doce años de modernización de la seguridad social en Chile: Evaluación crítica y proyecciones.* Santiago: CIEDESS.

CORTAZAR, RENE
1993 *Política laboral en el Chile democrático: Avances y desafíos en los noventa.* Colección Economía y Gestión. Santiago: Ediciones DOLMEN.

COVARRUBIAS, PAZ, AND ROLANDO FRANCO, EDS.
1978 *Chile: Mujer y sociedad.* Santiago: UNICEF.

FELDSTEIN, MARTIN
1996 *The Missing Piece in Policy Analysis: Social Security Reform.* Working Paper no. 5,413. Cambridge, Mass.: U.S. National Bureau of Economic Research.

FOLBRE, NANCY
1994 *Who Pays for the Kids? Gender and the Structures of Constraint.* London: Routledge.

FOXLEY, ALEJANDRO, EDUARDO ANINAT, AND JOSE PABLO ARELLANO
1980 *Las desigualdades económicas y la acción del Estado.* Mexico City: Fondo de Cultura Económica.

FREI, CARMEN
1993 "Las líderes hablan." In *Mujeres, poder y política: Nuevas tensiones para viejas estructuras,* edited by Eugenia Hola and Gabriela Pischedda, 148–58. Santiago: Centro de Estudios de la Mujer (CEM).

GILLION, COLIN, AND ALEJANDRO BONILLA
1992 "Analysis of a National Private Pension Scheme: The Case of Chile." *International Labor Review* 131, no. 2:171–95.

GONZALEZ MEYER, ROLANDO
1992 "Organismos no-gubernamentales, políticas sociales y mujer: El caso de Chile." In *Políticas sociales, mujeres y gobierno local,* edited by Dagmar Raczynski and Claudia Serrano, 217–47. Santiago: CIEPLAN.

GORDON, LINDA
1994 *Pitied but Not Entitled: Single Mothers and the History of Welfare, 1890–1935.* New York: Free Press.

GRAHAM, CAROL
1993 *From Emergency Employment to Social Investment: Alleviating Poverty in Chile.* Brookings Occasional Paper. Washington D.C.: Brookings Institution.

GUZMAN, VIRGINIA, SANDRA LERDA, AND REBECA SALAZAR
1994 *La dimensión de género en el quehacer del estado.* Santiago: Centro de Estudios de la Mujer (CEM).

IGLESIAS, AUGUSTO, AND RODRIGO ACUÑA
1991 *Chile: Experiencia con un régimen de capitalización, 1981–1991.* Santiago: CEPAL/PNUD.

ILO (INTERNATIONAL LABOUR OFFICE)
1981–1995 *Yearbook of Labour Statistics.* Geneva: ILO.
1993 "Social Security and Social Protection: Equality of Opportunity between Men and Women." Geneva: ILO.

IMF (INTERNATIONAL MONETARY FUND)
1995 *World Economic Outlook.* Washington, D.C.: IMF.

IMROHOROGLU, SELAHATTIN, HE HUANG, AND THOMAS J. SARGENT
n.d. "Transition between Social Security Systems." Manuscript.

INE (INSTITUTO NACIONAL DE ESTADISTICAS)
1995 *Mujeres y hombres en Chile: Cifras y realidades, 1995.* Santiago: INE.

JACOBSEN, JOYCE P.
1994 *The Economics of Gender.* Cambridge: Blackwell.

KOVEN, SETH, AND SONYA MICHEL, EDS.
1993 *Mothers of a New World: Maternalist Politics and the Origins of the Welfare State.* New York: Routledge.

LARRAIN, SOLEDAD
1993 "Las Líderes hablan." In *Mujeres, poder y política,* edited by Eugenia Hola and Gabriela Pischedda, 159–72. Santiago: Centro de Estudios de la Mujer (CEM).

LEWIS, JANE, ED.
1993 *Women and Social Policies in Europe: Work, Family, and the State.* Aldershot, Hants, Engl.: Edward Elgar.

MALIC, DANISA, AND ELENA SERRANO
1988 "La mujer chilena ante la ley." In *Mundo de mujer: Continuidad y cambio,* 53–94. Santiago: Centro de Estudios de la Mujer (CEM).

MARCEL, MARIO, AND ALBERTO ARENAS DE MESA
1992 *Social Security Reforms in Chile.* Occasional Paper no. 5. Washington, D.C.: Inter-American Development Bank.

MARGOZZINI, FRANCISCO
1988 "Estimaciones de las pensiones de vejez que otorgará el actual sistema de pensiones." In BAEZA AND MANUBENS 1988, 251–74.

MAURIZ, BENITO
1978 "La mujer y la legislación laboral." In COVARRUBIAS AND FRANCO 1978, 679–91.

MELLER, PATRICIO
1990 "Revisión del proceso de ajuste de la década del 80." *CIEPLAN Colección Estudios,* no. 30 (Dec.):5–54.
1992 "Reformas laborales." In *Reformas económicas en Chile,* edited by Oscar Muñoz, 76–90. IABD Monograph Series no. 7. Washington, D.C.: Inter-American Development Bank.

MESA-LAGO, CARMELO
1978 *Social Security in Latin America: Pressure Groups, Stratification, and Inequality.* Pittsburgh, Pa.: University of Pittsburgh Press.
1985 *El desarrollo de la seguridad social en América Latina.* Estudios e Informes de la CEPAL no. 34. Santiago: CEPAL.
1990 *La seguridad social y el sector informal.* Santiago: International Labour Office and PREALC (Programa Regional de Empleo para América Latina y el Caribe).
1994 *Changing Social Security in Latin America: Toward Alleviating the Costs of Economic Reform.* Boulder, Colo.: Lynne Rienner.

MESA-LAGO, CARMELO, AND ALBERTO ARENAS DE MESA
n.d. "Fifteen Years after the Privatization of the Chilean Pension System: Evaluation,

Lessons, and Challenges." In *Reforming Pension and Health Care Systems in Latin America: What Are the Options?*, edited by María Amparo Cruz-Saco and Carmelo Mesa-Lago. Pittsburgh, Pa.: University of Pittsburgh, forthcoming.

MINISTERIO DE HACIENDA

1990–1995 *Exposición sobre el estado de la Hacienda Pública.* Santiago: Ministerio de Hacienda.

MOLINA, NATACHA

1989 "La mujer." In *Propuestas políticas y demandas sociales*, edited by Manuel Antonio Garretón, 3:31–171. Santiago: FLACSO.

MONTECINOS, VERONICA

1994 "Neo-Liberal Economic Reforms and Women in Chile." In *Women in the Age of Economic Transformation*, edited by Nahid Aslanbeigui, Steven Pressman, and Gale Summerfield, 160–77. London: Routledge.

MORRIS, JAMES O.

1966 *Elites, Intellectuals, and Consensus: A Study of the Social Question and the Industrial Relations System in Chile.* Ithaca, N.Y.: Cornell University Press.

ORLOFF, ANN S.

1993 "Gender and the Social Rights of Citizenship: The Comparative Analysis of Gender Relations and Welfare States." *American Sociological Review* 58 (June):303–28.

1996 "Gender in the Welfare State." *Annual Review of Sociology* 22:51–78.

ORTUZAR, PABLO

1988 "El déficit previsional: Recuento y proyecciones." In BAEZA AND MANUBENS 1988, 105–42.

PARDO, LUCIA

1989 *Una interpretación de la evidencia en la participación de las mujeres en el fuerza de trabajo: Gran Santiago, 1957–1987.* Santiago: Universidad de Chile.

PIÑERA, J.

1991 *El cascabel al gato: La batalla por la reforma previsional.* Santiago: Zig-Zag.

RACZYNSKI, DAGMAR, AND PILAR ROMAGUERA

1995 "Chile: Poverty, Adjustment, and Social Policies in the 1980s." In *Coping with Austerity: Poverty and Inequality in Latin America*, edited by Nora Lustig, 275–333. Washington, D.C.: Brookings Institution.

RACZYNSKI, DAGMAR, AND CLAUDIA SERRANO

1985 *Vivir la pobreza: Testimonios de mujeres.* Santiago: CIEPLAN.

RIBEIRO, LUCIA, AND TERESITA DE BARBIERI

1978 "La mujer obrera chilena: Una aproximación a su estudio." In COVARRUBIAS AND FRANCO 1978, 287–321.

SCHKOLNIK, MARIANA

1992 "Chile: Impacto del gasto social en los hogares con jefatura femenina." In *Género y mercado de trabajo en América Latina*, edited by Cecilia López, Molly Pollack, and Marcela Villarreal, 161–85. Santiago: PREALC.

SKOCPOL, THEDA

1992 *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States.* Cambridge, Mass.: Belknap Press of Harvard University Press.

SAFP (SUPERINTENDENCIA DE ADMINISTRADORAS DE FONDOS DE PENSIONES)

1981–1996 *Boletín Estadístico.* Santiago: SAFP.

VELASCO, B., AND A. LEPPE

1989 "Appropriate Technologies: A Way of Meeting Human Needs." In *Social Policy from the Grass-Roots: Non-Governmental Organizations in Chile*, edited by Charles Downs, Giorgio Solimano, Carlos Vergara, and Luis Zúñiga. Boulder, Colo.: Westview.

VERGARA, PILAR

1990 *Políticas hacia la extrema pobreza en Chile, 1973–1988.* Santiago: FLACSO.

WAGNER, GERT

1990 *La Seguridad Social y el programa de Pensión Mínima Garantizada.* Documento de Trabajo no. 133. Santiago: Instituto de Economía de la Universidad Católica de Chile.

WORLD BANK
1994 *Envejecimiento sin crisis: Políticas para la protección de los ancianos y la promoción del crecimiento.* Washington, D.C.: World Bank.

ZURITA, SALVADOR
1994 "Minimum Pension Insurance in the Chilean Pension System." *ILADES Análisis Económico* 9, no. 1 (June).

https://doi.org/10.1017/S0023879100039352 Published online by Cambridge University Press