Social Security in Chile

By Wilbur J. Cohen*

THE REPUBLIC OF CHILE stretches for more than 2,600 miles along the southwestern coast of South America. The three regions into which the country is naturally divided contain a wide variety of natural resources. Enormous extensions of desert and barren mountains characterize the northern zone. Because of its mineral deposits this region, called the Atacama, is the richest desert in the world. Chile is second to the United States in the production of copper, and before synthetic nitrate became commercially profitable this zone produced about 95 percent of the world supply of nitrate. About 70 percent of the world supply of iodine is a by-product of the Chilean nitrate industry.

The central zone marks Chile as primarily an agricultural Nation. The fertile Central Valley contains grain fields, orchards, and pasture lands, which produce most of the country's food supply. It is in this zone also that the large cities are located, as well as the Nation's manufacturing industries. Extensive forests and mineral deposits, including large coal beds, are found in the lower part of this zone.

The southern zone, extending to Cape Horn, is the most scenic part of Chile, characterized by lakes, snow-capped volcanoes, and, in the extreme south where the country is only 10 miles wide at its narrowest point, by canals and fjords. Forestry, cattle and sheep raising, and fishing furnish the main sources of occupation in this area. It is here also that oil deposits have recently been discovered.

Within its 286,396 square miles, Chile has more than 5 million persons who are predominantly of European extraction; less than 1 percent are full-blooded Araucanian Indians. The average density of population is 17.5 persons per square mile, as compared with 44 for the United States. Less than 3 percent of the population, however, live in 15 of the country's 25 Provinces, while 56 percent are concentrated in the central region, which has an average density of 79 persons per square mile. Santiago Province alone accounts for one-fourth of the total population and has an average density of about 193 persons per square mile. Not more than 3 persons per square mile are found in the desert northern region, and the southern Province of Magallanes has less than 1 person per square mile.

According to the 1940 census, Chile then had a population of 5 million persons, of whom 1.7 million were in the labor force; 35 percent were in agriculture, forestry, and fishing, 17 percent in manufacturing, 12 percent in public services, 12 percent in domestic service, 9 percent in commerce, and 5 percent in mining. It is interesting to note that, though nitrate and copper mining are the backbone of the Chilean economy, the mining industry accounts for only a small proportion of the labor force.

Wages and commodity prices vary considerably, but regardless of his geographic location or his occupation the average wage earner spends most of his income on food. In 1942 the Chilean Department of Labor (Dirección General del Trabajo) conducted a consumer purchase study of 286 families throughout the country. The survey revealed that 76 percent of the family income was spent on food, 10 percent on clothing, and about 7 percent on rent.[1] Particularly in recent years, Chile has been experiencing severe inflation, which in spite of increased wages has made the lot of the average wage earner a difficult one.[2]

National income in Chile in 1943 was 29,650 million pesos[3] ($956 million), equivalent to 5,990 pesos ($193) per capita.

The birth rate is high—33.3 births per 1,000 population in 1945, as compared with 19.8 for the United States. However, the infant mortality rate is also high, accounting for one-third of all deaths in the country in 1945. In that year, the infant mortality rate was 184 per 1,000 live births as compared with 38.1 for the United States.[4] The percentage increase in population over the last 20 years was 34 for Chile and 27 for the United States.

The present age distribution is very similar to the distribution that characterized the United States about 40 years ago. The proportion of the population in the younger age groups is larger in Chile than in the United States at the present time. According to the 1940 census, 37 percent of the Chilean population was under 14 years of age, 51 percent was between 15 and 49, and 11 percent, over 50. In 1940, only 29 percent of the population in the United States was under 14, while 17 percent was over 50.

Development of Social Security

Chile was the first country in the Western Hemisphere to establish a national system of compulsory social insurance. On September 8, 1924, the now famous law 4054 providing for compulsory social insurance was enacted.[5] While this was the first social insurance law, it did not represent the first action which the Chilean Government had taken in behalf of wage earners.[6] Beginning in the early

*Assistant Director, Bureau of Research and Statistics. Much of the basic material in this article was obtained by Mr. Cohen during a visit to Chile in July 1942; he was assisted in its preparation by Evelyn Boyer of the Division of Health and Disability Studies and Loucele Horowitz of the Division of Coordination Studies.

[1] Luis Cárcamo and Robinson Paredes, "Estadísticas de la Dirección General del Trabajo," *Veinte Años de Legislación Social*, Dirección General de Estadística (Santiago), 1945, pp. 130–139.

[2] *Estadística Chilena* (Dirección General de Estadística), November 1946, p. 640. The general cost-of-living index for Santiago (March 1928=100) was 210.3 in 1940 and 304.3 in 1942 and by November 1946 had reached 553.5, an increase of 163.2 percent since 1940. The food index increased 161.4 percent and the clothing index, 311.2 percent.

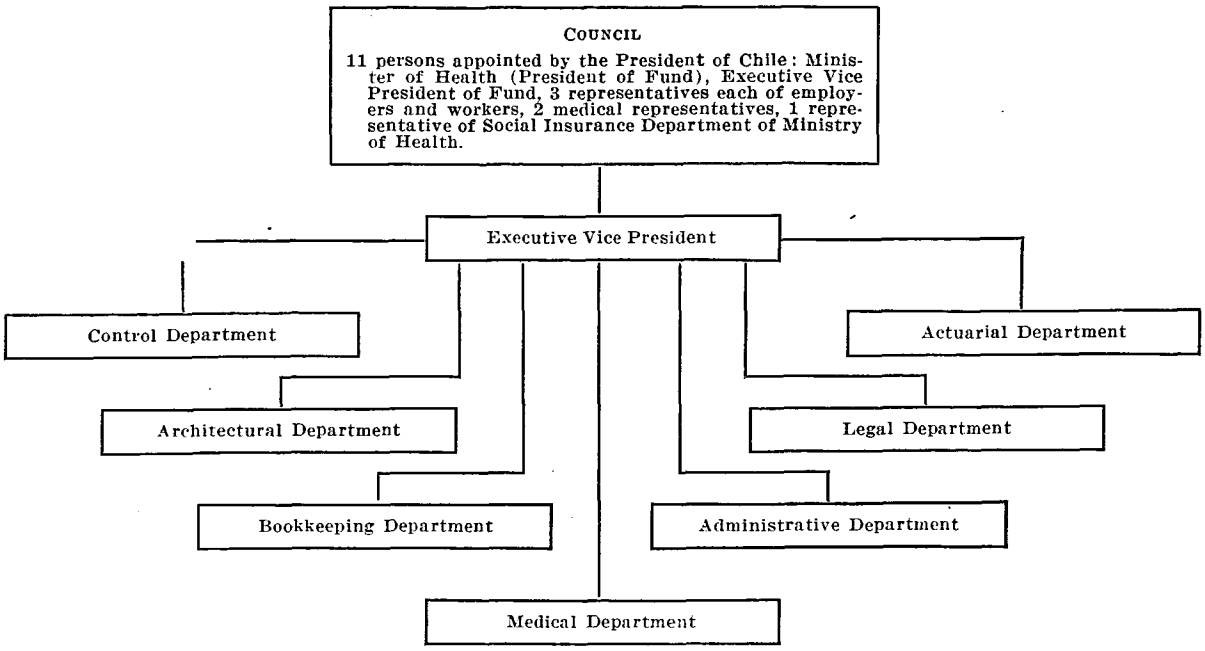
[3] Corporación de Fomento de la Producción, *Renta Nacional 1940–1945* (Santiago), vol. 1, p. 150, 1946. The official rate of exchange is 31 pesos to the dollar.

[4] *Estadística Chilena*, November 1946, p. 629; figures for the United States from the Bureau of the Census, *Monthly Vital Statistics Bulletin*, Feb. 27, 1946, p. 1.

[5] *Diario Oficial*, No. 13,987, Sept. 26, 1924. Date of application of law, April 1, 1925.

[6] Moises Poblete Troncoso, "La Gravitación de la Política Social en la Economía Nacional," *Veinte Años de Legislación Social*, pp. 5–11. Early protective legislation included the law of August 26, 1907, prohibiting work on Sunday, the law of workers' housing of February 20, 1906, and perhaps the most important legislation of this early period, the workmen's compensation law of December 30, 1916.

Chart 1.—*Departmental organization of the Compulsory Insurance Fund for Chilean workers, 1944*



years of the century, the Government had endeavored to protect the country's wage earners through social and labor legislation. Large-scale application of labor and social security measures began in 1925, however. Since then, for almost a quarter of a century, Chile has been developing a comprehensive code of laws covering social security, public health, and social welfare. In addition, the Chilean social insurance program is one of the few that cover practically the entire working population. Of the 1.4 million wage earners[7] in Chile in 1945, 1.2 million[8] were contributors to social insurance institutions.

In Chile a legal distinction is made between the manual worker and the white-collar or salaried employee.[9] Labor legislation differs considerably in its application to these two groups, a difference which is carried over to the field of social insurance. Law 4054 of September 8, 1924, which created the Compulsory Sickness, Invalidity, and Old-Age Insurance Fund (Caja de Seguro Obligatorio de Enfermedad, Invalidez y Vejez, hereafter referred to as the Workers' Fund) applies to the manual worker, while separate social insurance laws apply to the salaried employees. The largest of the salaried employees' agencies, the Social Insurance Fund for Private Employees (Caja de Previsión de Empleados Particulares) dates back to 1925.[10] More than 40 separate agencies have been set up which administer the social insurance laws applicable to the salaried employees and other special groups.[11]

These agencies vary widely in their size (ranging from 14 to about 100,000 contributors) as well as in their legal structure, methods of administration, and benefit programs.[12] Most of these agencies are, in fact, mainly compulsory savings institutions. The Social Insurance Fund for Policemen (Caja de Previsión de los Carabineros de Chile) and the Merchant Marine Fund (Caja de Previsión de la Marina Mercante Nacional) are the most important exceptions. Like the Workers' Fund, these two have paid special attention to health benefits for their members. Too much emphasis should not be placed on the fact that there are so many separate social insurance agencies in Chile, since more than 98 percent of the country's insured wage earners, both manual workers and salaried employees, are covered by the five largest agencies or Funds.[13]

The Workers' Fund, with its million members and $20 million annual income, is by far the largest and most

[7] It should be noted that this figure is smaller than the one cited earlier, which includes not only wage earners but employers and self-employed as well. This figure was obtained by adjusting the 1940 census figure of 1,301,097 (*Estadística Chilena*, September 1946, p. 564) by the estimated percentage increase in population (p. 498).

[8] *Previsión Social* (Ministerio de Salubridad, Previsión y Asistencia Social), January–March 1946, p. 3.

[9] The Labor Code D. F. L. No. 178 (art. 2), May 13, 1931, published in the *Diario Oficial*, May 28, 1931.

[10] Decree-Law No. 857, Nov. 11, 1925, published in the *Diario Oficial*, Dec. 16, 1925. It is interesting to note that retirement pensions in Chile date back to the early part of the last century, when a law was enacted on November 25, 1820, giving public employees the right to disability pensions with half pay. Alfredo Herrera Aristegui, *Monografía Sobre la Caja de Empleados Públicos y Periodistas* (Santiago), 1942, p. 7.

[11] Julio Bustos A., "La Nación," *La Seguridad Social*, Talleres Gráficos (Santiago), 1942, p. 13. Among the special groups which have their own social insurance Funds are public employees and journalists, policemen, railway personnel, and merchant marine officers.

[12] Julio Bustos A., "Previsión Social," *Veinte Años de Legislación Social*, p. 224.

[13] The five largest Funds are: Compulsory Sickness, Invalidity, and Old-Age Fund for Workers (982,700 members in 1945); Social Insurance Fund for Private Employees (99,945 members in 1945); Public Employees and Journalists Fund (65,000 members in 1945); Social Insurance Fund for Policemen (30,000 members in 1943); Social Insurance Fund for State Railway Personnel (23,434 members in 1945).

important of the social insurance agencies in Chile. Its members include all the manual workers employed in mining, industrial, and commercial establishments, as well as self-employed workers and all agricultural labor and domestic employees.[14] These groups are covered against the risks of sickness, maternity, old age, and disability and by a funeral benefit. Since about three-fourths of Chile's wage earners are members of the Workers' Fund, this article is primarily concerned with that agency. A brief description will also be given of the salaried employees' system.

In Chile the relationship between the social insurance Funds and the Ministry of Health, Social Insurance and Social Assistance (Ministerio de Salubridad, Previsión y Asistencia Social) is so close that it is almost impossible to discuss the function of one without, at the same time, describing the other. This interrelationship, which results from the fact that Chileans closely identify social insurance with public health, seems to date back to 1924, when the Ministry of Health, Assistance, Social Insurance and Labor was created to supervise the activities of all agencies responsible for medical care (public health, hospitals, social insurance) and to administer labor legislation. In 1932 the labor functions were split off and the Ministry became the Ministry of Health, Social Insurance and Social Assistance.

The public health functions performed by the Ministry's Department of Health (Dirección General de Sanidad) relate to community sanitation, the prevention and control of communicable diseases, and the usual services provided by a public health service.

The Social Insurance Department (Departamento de Previsión Social) is responsible for the general supervision of the social insurance Funds. Although the Funds are autonomous organizations, the Minister of Health is chairman of the executive council (the governing body) of each of the agencies and in this way is able to influence their medical activities. The medical section of this department periodically checks on the medical care provided by the Funds.

The Department of Social Assistance and Welfare (Dirección General de Beneficencia y Asistencia Social) is concerned with institutional medical care and operates practically all the hospitals and related institutions in the country. It provides care not only for the needy, but also for the insured workers and their wives and children. Insured persons requiring hospital treatment are sent as paying patients whose expenses are defrayed by the social insurance agencies.

General welfare, social work, and health services for expectant mothers, infants, and school children are provided by the Department of Child and Youth Protection (Dirección General de Protección a la Infancia y a la Adolescencia), which was established in 1942 to unify the previously decentralized child welfare agencies. This organization supervises foster care and private institutions, conducts clinics for mothers and babies, provides dental care, and cares for children living under abnormal conditions. This department is not connected with the Mother and Child Section of the Workers' Fund.

Workers' Compulsory Insurance Fund

Approximately one million workers, representing about three-fourths of Chile's wage earners, are covered by the country's largest social insurance agency. They are insured against the risks of sickness, maternity, invalidity, and old age.

Old-age pensions or lump-sum benefits, whichever the worker prefers, are paid to insured workers when they reach the age of 55, 60, or 65, also depending on the choice made by the worker. In addition, the worker may elect to receive a lower retirement pension and arrange for a lump-sum payment to be made to his heirs upon his death.

The size of the retirement pension is generally so negligible that most workers prefer to receive a lump-sum payment when they retire rather than the monthly pension. The smallness of the pension is accounted for by the combination of two factors: the method of calculation of the pensions is not based on the recent wages earned, as in the case of the disability pension, but on the individual's contributions (2 percent of wages) to his account—the employer contribution being allocated to other than old-age benefits; moreover, the declining value of money and steadily rising wages make the 2 percent of the money wages earned during the active years of the worker worth relatively little at the time of retirement. In 1945, 110 workers received pensions totaling 24,951 pesos, an average of 227 pesos (about $7) a year. During the same year, 5,122 workers elected to receive lump-sum payments, which amounted to 1,384 pesos each (about $45).[15]

If the worker dies, the Fund pays 300 pesos for the cost of the funeral. There are no survivor pensions as are provided in some of the larger of the salaried employees' systems.

Sickness benefits, both in cash and in kind, constitute the Fund's most important service. After payment of 7 months' contributions, a disabled worker is entitled to medical, surgical, pharmaceutical, and dental care, and to hospitalization beginning with the first day of illness and lasting 26 weeks. This period may be extended to a year in special cases. These medical benefits are accompanied by weekly cash allowances amounting to 100 percent of wages during the first week of illness, 50 percent during the second week, and 25 percent during the remaining 24 weeks. In special circumstances these payments, too, may be extended to a year. If the insured worker has no dependent family, the weekly allowances are one-half the amounts given above, that is, 50, 25, and 12½ percent of wages. No allowances are paid for illness that lasts less than 4 days.

Insured women workers, in addition to receiving the benefits as noted above, also receive cash and medical benefits during pregnancy, childbirth, and the postpartum period. The maternity cash benefits consist of 50 percent of the wage, payable for 6 weeks

[14] Manual workers employed by the State Railways and by the municipalities are members of their special Funds rather than the Workers' Fund.

[15] Julio Bustos A., *Reforma de las Leyes 4054 y 4055*, Caja de Seguro Obligatorio (Santiago), 1946, p. 27.

before and 6 weeks after childbirth,[16] together with a lactation benefit equal to 25 percent of the wage, payable for 8 months. Wives of insured workers receive medical care during pregnancy, and the Fund's Mother and Child Service provides medical care for the children of insured workers up to 2 years of age.

Invalidity pensions are paid to workers permanently and totally disabled through illness who have been contributors to the Fund for at least 2 years.[17] If a worker has been a member 10 years or more, his pension is 100 percent of his former wage. With 5 to 10 years' membership, he receives 75 percent of his wages, and with 2 to 5 years, he is paid 50 percent. Since its establishment the Fund has authorized 14,036 invalidity pensions.[18] During 1945, 7,112 members received 27,871 pesos in disability pensions averaging 3,919 pesos (about $126) each per year.

Sickness is recognized by the Chileans as the first stage in a process which may lead to invalidity and premature death. They believe it is logical, therefore, that sickness insurance should be linked with insurance against invalidity and death, since social insurance is concerned not only with effects but with causes. In preventing and curing disease an important objective is to prevent disability and premature death. To this end, the Workers' Fund has gradually increased and improved its health services in the urban and rural areas.

Preventive Medicine

From 1933 to 1938 the emphasis in the social insurance program was gradually changed from curative to preventive medicine. Previously the existence of disease was known only through those who, on their own initiative, consulted a physician. Nothing was known of the latent diseases in people who, for one reason or another, had not received medical advice or treatment—the case for a large majority of the population. Nationwide inquiries under the direction of the Ministry of Health were conducted among the various population groups. The study led to the selection of certain diseases which were responsible for much invalidity and were susceptible to preventive treatment. The most common causes of illness and death were tuberculosis, venereal disease, and cardiovascular disease, all of which are discoverable and curable if caught in the early stages. It has been estimated that these caused some 60 percent of all deaths among the working population, 56 percent of all hospital cases, and 38 percent of the latent morbidity in apparently healthy persons examined by the medical services of the insurance institutions.[19] Tuberculosis alone annually accounts for the death of more than 3,000 members of the Workers' Fund, or more than 1 death in 3 among this group.[20] It was in recognition of the importance to the Nation of reducing the disease rate and in an attempt to transfer a large segment of medical service from individual to public control that the Preventive Medicine Law (Ley de Medicina Preventiva) was enacted.[21] For the first time, free periodic compulsory medical examinations were provided and systematically carried out for the great majority of manual workers and salaried employees—that is, about 25 percent of the total population of the country. The law obligates all social insurance agencies to establish medical services or to enter into agreements among themselves that will provide the necessary benefits for their members. The Workers' Fund was able to incorporate the preventive medicine provisions into its already existing medical structure.

Between 1938 and 1946 the Workers' Fund made 863,505 health examinations of its members.[22] These examinations make it possible to ascertain and to diagnose at an early stage latent or unsuspected cases of tuberculosis, syphilis, and heart disease. It has also been possible to utilize the data from the examinations in discovering the variations in morbidity associated with such factors as income, occupation, and locality.

The Preventive Medicine Law also provides for total or partial preventive rest, with full wages, for a period of time determined by the possibilities of reentry into employment. Special medical boards make the decision regarding rest cures, which are granted only in cases likely to show improvement or recovery. The money subsidy enables the worker's family to carry on while he is undergoing treatment in a sanatorium. During his rest period and for 6 months after recovery, the worker is guaranteed the right to reemployment. By these means, Chile endeavors to prevent the economic dislocation that may be caused by sickness arising out of the diseases covered by the law. From the date of application of the law until 1946, 50,023 insured workers received approximately 114 million pesos (about $3.5 million) in preventive rest subsidies.[23]

The public health service, the Workers' Insurance Fund, and the social welfare offices have pooled their resources to fight venereal disease. In 1943 the National Government authorized the Director General of Health to organize the country to fight this infection. Clinics have been established in Santiago, Valparaiso, and three Southern Provinces, where free treatment is given not only to insured workers but also to destitute persons. Provision has been made for beds for the isolation and treatment of infectious cases. A significant accomplishment has been the organization of new medical groups, some of which have permanent locations while others travel about serving the smaller

[16] Actually, the Fund stipulates maternity benefits only for 2 weeks before and 2 weeks after childbirth. However, as an employer liability provision, the Labor Code provides that working mothers are entitled to leave for 6 weeks before and 6 weeks after childbirth, with 50 percent of wages to be paid during the period. *Labor Code*, arts. 309 and 310.

[17] This provision is not to be confused with workmen's compensation, which is administered under a completely different law (Law 4055 of Sept. 8, 1924), which covers all wage earners, including agricultural labor and domestic employees, against the risks of all injuries and occupational diseases. Benefits in cash and in kind are provided, as well as disability and survivor pensions.

[18] Julio Bustos A., op. cit., p. 27.

[19] Manuel de Viado and Alejandro Flores, "Health Insurance in Chile," *The Canadian Medical Association Journal*, vol. 51, 1944, pp. 564–570.

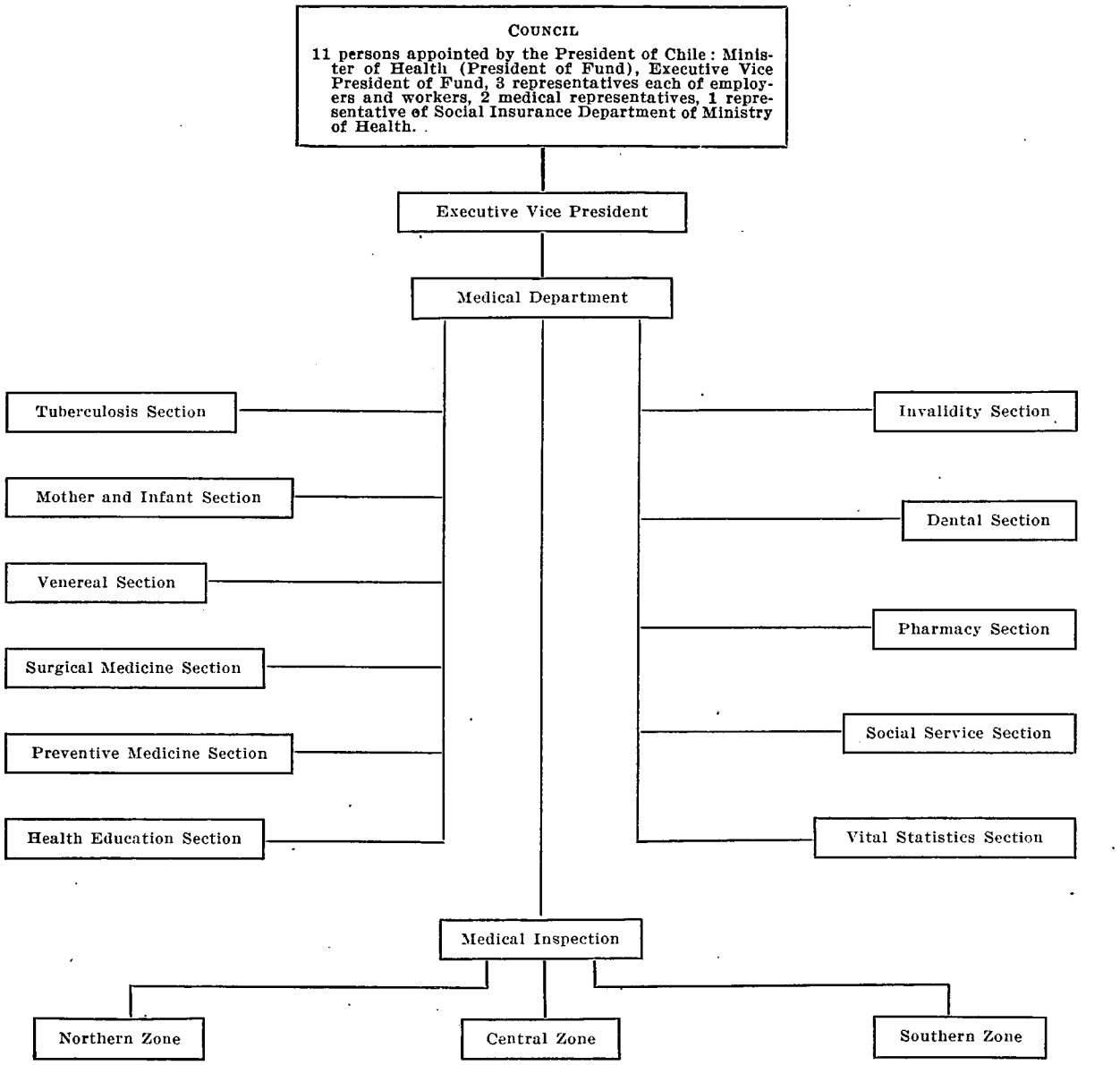
[20] Alfredo Rojas Carvajal and Humberto Abrahamson W., "Los Problemas de la Medicina Social en Chile y La Caja de Seguro Obligatorio," *Boletín Médico Social*, July–September 1944, p. 289.

[21] Law 6174 of Jan. 31, 1938, published in the *Diario Oficial*, No. 17,988, Feb. 9, 1938.

[22] *Boletín Médico Social*, September–October 1946, p. 527.

[23] Ibid., p. 529.

Chart 2.—*Organization of the Medical Department of the Compulsory Insurance Fund for Chilean workers, 1944*



districts. These groups are composed of doctors, dentists, nurses, special workers, and auxiliary personnel, having at their disposal X-ray, laboratory, electro-cardiographic, and other equipment.

In 1944 the Rockefeller Foundation assisted in the establishment in Santiago of the first full-time health unit. Other units are planned. These health units may be one of the forces through which Chile can bring together and direct the resources of the social security and welfare systems toward providing medical care, essentially preventive in character, for all the population.

With the realization that tuberculosis is in an epidemic stage, the Chileans have oriented their entire plan of campaign toward suppression (through isolation) of the sources of infection. To date, their activities have been limited to insured persons and remain greatly handicapped by lack of facilities. The preventive medical service does not yet reach the families of the insured and therefore has no effect on these persons as sources of contagion. However, wives of insured persons who have received maternity care from the Mother and Child Section of the Workers' Fund are treated for tuberculosis and venereal disease after childbirth. Efforts are now being made to revise the social security legislation so as to permit complete preventive care on a family basis.

Administration of Medical Care

The medical service of the Workers' Fund is under the supervision of a Director General, who is responsible for the medical policy of the program. For the purpose of administering the medical service, the work is divided into 11 sections (chart 2) corresponding with the need as shown by the morbidity and mortality rates of the country. Each Province has its Provincial medical director, who represents the Fund and manages the medical services in the area.

Complete and specialized treatment for every type of illness, from both the curative and the preventive aspects, is provided insured persons throughout the country. This is accomplished through 183 clinics, 519 rural medical posts, and 82 miscellaneous services, which together employ more than 3,000 persons, about one-third of whom are physicians. These health centers include first, second, and third-class clinics, the classification depending on service, size, and location; first aid centers; rural medical posts; hospitals; sanatoria; convalescent centers; prophylactic centers; and other special establishments.[24] In the larger clinics, insured persons are treated by teams of physicians who are specialists, and provision is made for diagnostic and other necessary equipment such as laboratories and X-ray and other apparatus. In the smaller centers, treatment is more or less of an emergency character. The rural medical centers, which are periodically visited by specialists and dentists, include a small pharmacy and have a resident midwife or apothecary. Providing adequate medical care in the rural areas is still one of the problems with which the Fund is concerned.

In obtaining treatment at one of the large polyclinics the insured worker receives a preliminary general examination. He is then referred to a specialist who makes the diagnosis and prescribes treatment. If it is determined that the worker is prevented from working because of illness, the physician gives instructions for the payment of the appropriate sickness benefit. The physician's prescriptions are filled by the Fund's own pharmacy. In smaller communities, authority may be given to obtain certain medicines from specified private pharmacies.

While the Fund has its own establishments for the out-patient treatment of insured persons, hospital cases are sent to institutions controlled by the Public Assistance Board. Hospitalization for insured persons is provided through contracts between the Workers' Fund and the Public Assistance Department, which operates and administers the service provided by local public hospitals. This contract arrangement has not proved entirely satisfactory, from the point of view of either the cost or the service provided. For this reason, the Council of the Fund recommended in 1944 that the agency build a 500-bed hospital in Santiago to provide hospitalization for its members. Recently the necessary capital was made available for the construction of the new hospital. Some of the clinics that are located in small towns at considerable distance from the big urban medical centers have a few beds for emergency hospitalization, with a resident auxiliary personnel and a surgical service.

The Council of the Fund and the Public Assistance Board agree periodically on the payments to be made by the Fund for hospitalization service to insured workers. The basis used in determining the payments is usually a flat daily rate for each patient hospitalized. On rare occasions the Fund reserves a stipulated number of wards, whether or not they are occupied by insured patients. In certain mining regions the Fund has entered into contracts with private employers, who agree to provide the insured employees with the medical care to which the workers are entitled under the social security law. In such instances, a portion of the employer's social security contribution is returned by the Fund. These arrangements are usually made in isolated areas, where the medical services established by the company (usually a mining firm) have existed for years. The Fund, of course, may control and check the medical care provided and may terminate the agreement if the service is found to be unsatisfactory.

To obtain hospitalization, the insured person must first be examined by a medical officer of the Fund. If it is found that the patient requires hospital care, the Fund sends the patient to the appropriate hospital. If necessary, the hospital physician completes the diagnosis and undertakes the usual curative treatment. When the time for the discharge of the patient arrives, the hospital physician signs the release. In small towns where the Fund's physicians are also the hospital physicians, no question arises of interference or of disagreement as to diagnosis. This is also true with respect to specialist treatment in large cities. However, if disagreements should arise, the director of a hospital, who in Chile is always a physician, decides the matter. Medical inspectors are appointed both by the insurance Fund and by the welfare authorities. Their functions within their respective services include the settling of any disputes arising between the physicians of the Fund and those of the welfare service.

Welfare Activities

As of December 1945 the Fund had accumulated reserves amounting to over 810 million pesos. When the present investment policy was initiated in 1932, those responsible for the administration of the agency at that time realized the important role the Fund could play, not only in the economic life of the Nation but also in improving the social and economic well-being of the Chilean worker. In effectuating this policy, considerable sums have been invested in buildings and equipment, such as tuberculosis sanatoria, dispensaries, and hospital improvements.

To help alleviate the severe shortage of housing for workers, the Fund has cooperated with the Popular Housing Fund (Caja de Habitación Popular, an institution created in 1936 for the construction of low-cost houses) in the construction of workers' housing projects. The law which created the housing agency authorized the Workers' Fund to transfer sums annually to the housing Fund under an agreement whereby the insurance Fund retains title to the houses. Under this program the housing Fund had by 1941 built for the Workers' Insurance Fund 16 projects housing almost 10,000 persons, plus 11 apartment buildings with

[24] Manuel de Viado and Alejandro Flores, op. cit.

space for about 2,000 persons. By 1944 the insurance Fund had invested 138 million pesos in 20 projects distributed throughout the country, with a total of 5,300 houses.[25] The agency plans to invest funds in building 200 houses for coal miners in the Concepción area. Additional money will be supplied by the housing agency, which will supervise the construction of the project.

In 1935 the Fund built the first milk-pasteurization plant (Central de Leche) in Santiago for the purpose of combating malnutrition and disease by increasing the consumption of milk and ensuring a sanitary supply.

To improve agricultural methods and to raise rural standards of living the Fund has purchased large tracts of land, including seven large farms. Besides the benefit the rural population has derived from this phase of the Fund's activities, the projects have proved a financially successful investment. In 1943 the value of the investment had appreciated about 80 percent, and by now the appreciation is much greater.

For a while the Fund attempted to provide low-cost clothing for workers through the operation of its own clothing shops. This undertaking proved a financial burden, however, and had to be abandoned.

These are but a few of the diversified social and welfare projects of the Fund. Some of the enterprises resulted in financial losses, but the directors of the agency are convinced that they have been essential investments to improve the social well-being of its members and that they result, in the long run, in social benefits which far outweigh the financial losses to the Fund.

Financing and Disbursements

The Workers' Fund is financed by workers, employers, and the Government. In general, workers pay 2 percent of earnings, employers 5 percent of pay rolls, and the Government 1½ percent of these pay rolls. Self-employed individuals and voluntary contributors pay 4½ percent of their income, and the Government contributes 3½ percent, making a total of 8 percent. In mining zones and in the Provinces of Tarapaca, Antofagasta, and Magallanes, the contribution rates of employers and workers are increased 1 percent, as are those for the self-employed and voluntary members in these areas, because of the additional cost of providing medical services in remote areas.

Table 1.—*Chile: Social insurance contributions, Workers' Insurance Fund (Caja de Seguro Obligatorio)*

Source	Contributions as percent of wages [1]
Employed worker, total	*8.50*
Worker, social insurance (Law 4054) [2]	2.00
Employer	5.00
Social insurance (Law 4054)	3.00
Preventive medicine (Law 6174)	1.00
Low-cost housing (Law 6172)	1.00
Government	1.50
Social insurance (Law 4054)	1.00
Mother and child (Law 6236)	.50
Voluntary and independent insured worker, total	*8.00*
Worker	4.50
Social insurance (Law 4054)	3.50
Preventive medicine (Law 6174)	1.00
Government, social insurance (Law 4054)	3.50

[1] In certain Provinces and mining camps, each of the 3 groups pays 1 percent additional to cover the greater cost of providing medical care in these areas.
[2] Workers may voluntarily contribute an additional 5 percent to extend medical benefits to their families which are otherwise excluded from all provisions except those for mothers and children.

These contributions are made by means of a stamp system.[26] Each worker receives a stamp book. The employer buys stamps from an office of the Fund and affixes in the stamp book the number necessary to cover the amount of his contributions as well as the worker's, whose share has been deducted from his wages. When a worker changes his employment, he takes his stamp book with him, but otherwise it is left with the employer. At the end of each year the worker is required to take the book to the office of the Fund so that it may be checked. Table 1 gives a break-down of the contributions paid by workers, employers, and Government, and percentages earmarked for special purposes.

The average percent of pay rolls represented by contributions throughout the country is somewhat higher than the normal rates shown in table 1. This difference is accounted for by the contributions from self-employed and by voluntary contributions and the increased rates in specified Provinces and mining camps. In 1945, for example, employer contributions averaged 5.02 percent of pay rolls; contributions from insured workers, 2.25 percent; and the Government's share, 1.99 percent; making a total of 9.26 percent. To these contributions must be added interest on reserves and investments and other income amounting to 1.02 percent of total workers' pay rolls. The Fund's total income of 598.4 million pesos in 1945 was equal to 10.28 percent of the covered workers' pay rolls, which totaled 5,817 million pesos.

The general sources of income of the Fund in 1945, by percent of total, were: employers' contributions, 48.7 percent; workers' contributions, 21.9 percent; Government, 19.3 percent; interest and other income, 10.1 percent.[27]

That the Chilean social insurance system for workers is primarily one of health insurance becomes evident when an analysis is made of the proportion of the Fund's income spent on health measures. During 1945 the total income of the Fund was 598.4 million pesos, of which 495.5 million was expended on benefits and administrative and investment costs. The surplus of 102.9 million pesos was transferred to the reserve account. Of the 495.5 million pesos expended, nearly 73 percent related to health, in the form of either medical services or cash benefits for sickness or disability.

While annual income has consistently exceeded expenditures, the surplus has not been sufficient to cover the estimated actuarial value of the future obligations of the Fund toward its members. The Fund's actuarial deficit has long been the source of much concern among Chileans. This deficit has been caused by many factors, the most fundamental being the depreciation in the Chilean currency and its effect on the receipts,

[25] *Boletín Médico Social*, July–September 1944, p. 256.

[26] For a more detailed summary of the Chilean stamp system see Wilbur J. Cohen, "Foreign Experience in Social Insurance Contributions for Agricultural and Domestic Workers," *Social Security Bulletin*, February 1945, pp. 5–6.

[27] The percentages are based on figures published in the Fund's balance sheet, "Balance General de la Caja de Seguro Obligatorio, January 1–December 31, 1945," *Boletín Médico Social*, May 1946, pp. 279–286.

investments, and disbursements of the Fund.

Various statistical calculations have been made in an attempt to estimate the percentage actuarial deficit accruing each year. Dr. Julio Bustos A., head of the Department of Social Insurance of the Ministry of Health, has arrived at an estimated annual deficit of 1–1.6 percent of pay rolls.[28] At a later date, Mario Arteaga, chief of the Fund's Actuarial Department, indicated that the annual deficit is 2.32 percent.[29] The deficiency has resulted in proposals for changing the law.

Proposed Changes in the Law

Chileans familiar with the problem are the first to realize that, while the Fund has performed an admirable job, particularly with respect to health protection, it still falls short of complete coverage of risks and benefits. To remedy this lack, proposals have been made by the Chief of the Social Insurance Department of the Ministry of Health for modifications in both benefits and contributions.[30] The plan, as proposed in 1942 and still pending in the Chamber of Deputies, provides for contributions of 4 percent of wages by the insured individual and 10 percent by the employer, plus 1 percent additional for unemployment insurance. Self-employed persons are to pay 6 percent. The general Government contribution would range from 2 percent to 11.5 percent of wages, depending on the level of the pension to which the worker would be entitled. In addition, a 2-percent sales tax is proposed to help finance the benefits. Contributions and benefits would be determined on the basis of wage classes, of which there would be nine for employed persons and seven for the self-employed.

The proposed law would provide better protection of the health of the worker by integrating the Preventive Medicine Law more closely with the general Workers' Fund than is the case today. The family unit is considered the focal point, and dependents as well as workers would be given complete medical attention for an unlimited period instead of the maximum of 52 weeks that now only the worker may receive. Child care is extended to age 16 from the present 2-year period. Increased cash benefits are provided, and the treatment of contagious diseases would be extended to persons with incurable as well as curable diseases. By preventing the spread of disease from the worker to his family and by early diagnosis, complete treatment, and chance for recuperation, the proposed law attempts to reduce greatly the risk of sickness among Chile's working classes.

Cash benefits for old age and invalidity, and those for surviving dependents, would be a basic benefit plus the amount of contributions paid in, supplemented by dependents' benefits. The base pension in each case would be 25 percent of the monthly base wage (the average wage for the last 5 years) or 60 percent of the average general wage (total salaries divided by total contributors), whichever is greater. This would be increased by amounts corresponding to the insured worker's share of the contributions, plus 10 percent of the average general wage with respect to each child under 14.

The definition of disability is changed from absolute total incapacity for work to partial incapacity. To be eligible for invalidity benefits, the worker must be less than 60 years of age, have 1 year's affiliation with the Fund, and have paid contributions for at least half the time he has been a member. A provisional pension would be paid for 5 years, and if the worker should regain 50 percent of his capacity the pension would be suspended.

For receipt of an old-age pension at age 55 or 60, the bill requires the payment of 800 weekly contributions for men and 500 for women, with coverage for at least one-half the time following entry into the Fund.

Survivor pensions, now nonexistent, are also provided for in the proposed law. The payment would consist of 30 percent of the base pension, plus the amount of contributions the insured has paid to the Fund. His family would also receive a funeral payment of 10 percent of the average annual general wage. Orphans' pensions would be paid to children under 15 years of age.

Salaried Employees' System

As was pointed out earlier, benefits for salaried employees differ from those for manual workers and are administered under different laws. Approximately 200,000 employees are contributors to more than 40 Funds, which are supported primarily from employee and employer contributions. The Government does not contribute to these institutions except when it is itself the employer.

The largest of these Funds is the Social Insurance Fund for Private Employees, which dates back to 1925 and now numbers about 100,000 members; most of the other Funds are patterned after this agency.

Financing

Contributions to the Private Employees' Fund are high, but benefits likewise are substantial. In 1946, employees paid the following amounts to the Fund from salary and commissions: 5 percent to the individual account in the retirement fund, 2 percent for the family allowance benefit, and 1 percent for the unemployment subsidy. Besides this 8 percent, the employee also contributes an amount equal to half his first month's salary and also the amount of any wage increases; these sums are payable only once, for the first pay period.

The employer pays the following proportion of salary and commission pay roll: 5 percent for the individual account in the retirement fund, 8.33 percent for the severance-pay fund, 8.62 percent for the family allowance fund,[31] and 1 percent for preventive medicine. The retirement fund contributions include a 10-percent deduction from family allowances and 10 percent of the annual compulsory profit-sharing bonus. The severance-pay fund also receives 8.33 percent from family allowances.

---

[28] Julio Bustos A., *La Seguridad Social* (Santiago), 1942, pp. 60–66 and 142–174.

[29] *Boletín Médico Social*, July–September 1944, p. 269.

[30] Julio Bustos A., *Reforma de las Leyes 4054 y 4055* (Santiago), 1946. For a summary of the proposed changes see "Inter-American Committee on Social Security," Provisional Bulletin No. 4 (1943), p. 36 and chart following.

[31] The 8.62 percent is for 1945. The size of the family allowance is changed each year, and the relative amount of the employer's contribution is changed correspondingly; for the basis on which the changes are made see the section on family allowances.

Retirement, Invalidity, and Death Benefits

An employee is entitled to a refund of the amount in his individual retirement account, which he may elect to receive either in a lump-sum payment or in monthly installments. This refund may be made if the employee has completed 30 years' service and is 50 years of age or if, after 5 years of service, because of sickness or permanent disability, he is found to be completely incapacitated for any work. If the employee leaves the country permanently, he may withdraw his funds after 1 year's absence.

If the contributor dies, the amount in his individual account is paid to his heirs. The Fund also pays the survivors 1,000 pesos toward defraying funeral expenses.

Personal and Mortgage Loans

If after paying a year's contributions the employee is not indebted to the Fund, he may receive a personal loan of up to 50 percent of his account. He must justify his request before the proper authorities and at the end of 3 months must begin to repay the loan in monthly installments.

The Fund is authorized, moreover, to make short and long-term loans to its members for the purchase of rural or urban property and for the construction and improvement of dwellings for the members' use or for rent. To be eligible for loans, members must have paid 3 years' contributions, they must not be indebted to the Fund for an earlier mortgage loan or for a personal loan of more than 10,000 pesos, their retirement account must equal at least half the down payment required, and they must have an annual income of not less than 35 percent of the carrying charges on the loan.

The amount of the loan cannot exceed 85 percent of the valuation the Fund places on the property up to 125,000 pesos; for property with a higher value the loan is decreased 1 percent for every 10,000 pesos. On property valued at 135,000 pesos, for example, the Fund could advance only 84 percent.

While the provision for mortgage loans is not a social insurance benefit in the strict sense, it is unquestionably one of the most important advantages derived from membership in the organization. It is particularly important at this time, when inflation has decreased the purchasing power of pensions and increased the value of real estate.

Unemployment Benefits and Dismissal Wages

The employee who has been a member of the Fund for a year and who is able and willing to work but unable to find employment may draw unemployment benefits. The amount of the benefit is determined in June and December of each year by the Fund's Council. The sum is determined within a statutory range which runs from 75 percent of the current legal minimum salary to as much as four times this salary. In 1946 the amount paid was 75 percent of the minimum salary applicable in each community. Payments are made for a period of 90 days and may be extended for an additional 90 days in special cases. No waiting period is required.

There is also a loan provision in case of unemployment. If after 2 years of service a member of the Fund becomes unemployed for any reason, he may receive a loan up to 50 percent of his account the first year and 30 percent the second, and after 2 years of unemployment he may liquidate his fund.

Upon termination of employment, regardless of cause, the employee receives the lump-sum amount accumulated in his individual account in the severance-pay fund. The amount is equivalent to 1 month's pay for each year served.

Family Allowances

The Fund pays a family allowance for the wife, mother, and each legitimate, natural, and adopted child under age 18, provided they do not have other income greater than the current legal minimum salary in the locality. The Council of the Fund fixes the amount of the allowance annually on the basis of its estimate of probable receipts of the family allowance fund and of the estimated total number of dependents for whom allowances will be paid during the year. A deficit or surplus resulting from miscalculations during the previous year is taken into account the following year. The amount of the allowance paid for each dependent remains fixed regardless of salary, except that the benefit is reduced in the case of employees who for some reason—such as age or part-time work—receive less than the minimum wage. The amount of the family allowance fixed by the Fund for each dependent for 1946 was 170 pesos per month. The actual net payment was 143.70 pesos because of deductions of 14.40 pesos for the retirement fund and 11.90 pesos for the severance-pay fund.

Medical Benefits

The only medical benefits to which the members of the Fund are entitled are those provided under the Preventive Medicine Law described under the Workers' Fund. A few of the other salaried employees' Funds, however, do make provision for medical benefits. In November 1942 the National Medical Service for Employees (Servicio Médico Nacional de Empleados) was established. This is the common medical service of all the social insurance Funds for salaried employees, merchant marine officers, and public officials. The organization is set up regionally and is designed to carry out the systematic health examinations required by the Preventive Medicine Law. It also administers the curative medicine services for Funds that provide this benefit for its members. The Service may also authorize medical loans and provide direct aids, such as orthopedic and other appliances, to its contributors.

The Medical Profession and Public Medicine

The Chilean medical profession is organized in the Chilean Medical Association (Asociación Médica de Chile) to which practically all the physicians in the country belong.[32] The Association has adopted a defi-

[32] Three federations constitute this Association: the Federation of Hospital Physicians, to which all medical officers of the Public Assistance Board belong; the Federation of Sanitary Physicians, made up of the medical officers of the Government Sanitary Bureau; and the Federation of Social Insurance Physicians, consisting of the medical officers of the insurance Funds. Manuel de Viado and Alejandro Flores, *Organized Medical Care in Chile*, p. 327.

nite position toward social insurance, and toward sickness insurance in particular. Emphasizing preventive rather than curative action only, it has urged for many years that the care of "human capital" should start with the creation of a healthy environment. It has further urged that, as a matter of national policy, social insurance benefits should be supplemented by social assistance. Most of the members favor the integration of the Nation's three main medical services—public health, public assistance, and health insurance—and the establishment of provisions that would assure a career service for physicians associated with a unified public medical organization. Above all, they have accepted the thesis that the primary function of physicians is to care for the health of the Nation and that all other considerations should be subordinated.[33] Practically all of Chile's 3,000 physicians are practitioners full time or part time in the Public Health Department, the social insurance Funds, or the Social Assistance Department. A large number of these are employed by the Workers' Fund. The minimum requirement for appointment is a degree in medicine and surgery from the University of Chile. When a vacancy occurs, appointment is made by competitive examination. The physicians work an agreed number of hours per day and receive a salary proportionate to the hours of work. A salary scale is attached to each grade, and promotion depends upon merit and seniority.

These physicians are not Government employees but rather employees of a corporate body, just as if they were employed by a corporation, business, university, hospital, or research center. Therefore, the question of "state medicine" does not arise.

The Workers' Fund provides various measures for the further training of its medical and auxiliary staff. These include visits for study in foreign universities, special courses, attendance at scientific conventions, and prizes for works published on social medicine. These items are financed out of the annual budget of the Fund's Medical Service. In 1942 a group of 18 physicians was sent to the United States for 3 months to study the progress made in various branches of medicine. Selection was based on qualifications, territorial distribution, and area of specialization.

Conclusion

Chile has made tremendous strides in the field of social welfare. Social security has proved a vital force in combating the malnutrition, poor housing, bad health, and disease that prevail so widely throughout the country. Special attention has been given to the health of mothers and infants and to campaigns against tuberculosis and venereal diseases. In 1944, 22.3 percent of the total expenditures of the Medical Department of the Workers' Fund was devoted to the Mother and Child Service.[34] Infant mortality rates have shown a decided downward trend since the creation of this Service in 1935. In 1900 the infant mortality rate for the entire country stood at 343 per 1,000 live births. In 1936 the rate was 252, and in 1945, 184, whereas the infant mortality rate for the Workers' Fund in 1945 was 93 per 1,000 live births.[35]

Greater emphasis has been placed on health education. As a result of this and other public health activities, mortality rates have decreased from 253 per 100,000 population in 1936 to 200 per 100,000 in 1945.[36]

The data collected in the investigation of health conditions and the definite improvement observed through the operation of the Chilean health insurance program have convinced the medical profession and the Government of the wisdom and necessity of unifying and coordinating all institutions concerned with health protection. Chile is convinced that the close relationship which exists between health problems and general economic and social factors makes it imperative to reorganize the medical services into a comprehensive and planned system, combining medical attendance and social and economic assistance, not only for the insured persons but also for their families. This is the direction indicated for future development.

[33] "Recommendations of the Social Insurance Doctors' Federation," *International Labour Review*, October 1943, pp. 530–532.

[34] *Boletín Médico Social*, July 1946, p. 379.

[35] *Boletín Médico Social*, December 1946, p. 735, graph.

[36] Ibid.