

## Chile

Exchange rate: U.S.\$1.00 equals 711.80 pesos.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1924.

**Current laws:** 1952 (wage earners and salaried employees); 1980 and 1981 (new system).

**Type of program:** Mandatory private insurance and social insurance system.

Note: A system of mandatory private individual accounts was introduced in May 1981. Workers entering the labor force after December 31, 1982, must join the new system. The social insurance system is being phased out.

#### Coverage

##### Private insurance

Wage earners and salaried workers.

Voluntary coverage is possible for the self-employed.

##### Social insurance

*Wage earners' program:* Wage earners and the self-employed.

*Salaried employees' program:* Salaried employees in private-sector employment.

Special systems for railroad employees, seamen and port workers, public-sector employees, the armed forces, and over 35 other occupations.

#### Source of Funds

##### Private insurance

*Insured person:* 10% of earnings for an old-age pension, plus an additional amount for disability and survivor insurance and administrative fees.

*Employer:* None, except 2% of salary for employees working under arduous conditions.

*Government:* The cost of the guaranteed minimum pension.

The maximum monthly earnings for contribution purposes (old and new systems) are 60 UFs (unidades de fomento). In January 2003, one UF equaled 16,743.58 pesos. The value of the UF for pension purposes is adjusted monthly to changes in the consumer price index.

##### Social insurance

*Insured person:* Wage earners contribute 18.84% of wages; salaried employees contribute 20.30% of salary.

*Employer:* None.

*Government:* Special subsidies as needed to finance the program.

#### Qualifying Conditions

##### Private insurance

*Old-age pension:* Age 65 (men) or age 60 (women). Must have 20 years of contributions to receive the minimum pension. Retirement is permitted before the normal retirement age if the pension equals at least 50% of the average wage over the last 10 years and is at least equal to 110% of the minimum old-age pension.

*Disability pension:* The loss of 2/3 of working capacity.

Partial disability: The loss of between 50% and 66% of working capacity.

*Survivor pension:* The insured was covered or was a pensioner at the time of death.

##### Social insurance

*Old-age pension:* Wage earners must be age 65 with 1,040 weeks of contributions; or 800 weeks of contributions including 50% of the weeks since initial coverage began (men) or age 60 with 520 weeks of contributions (women). Salaried employees must be age 65 with at least 10 years of contributions (men) or age 60 with at least 10 years of contributions (women).

*Disability pension:* Wage earners must be assessed as totally or partially disabled and be younger than age 65 (men) or younger than age 60 (women) at the onset of disability. A minimum of 50 weeks' contributions, including at least 40% in the last 5 years and also 50% of the weeks since initial coverage began (women are excused from this last requirement as are men with at least 400 weeks of coverage). Salaried employees must be assessed as 2/3 disabled with 3 years of contributions.

*Survivor pension:* The wage earner was a pensioner or had 50 weeks of paid coverage that must span at least 50% of the period of enrollment, of which at least 40% was in the last 5 years. (These requirements do not apply to persons with at least 400 weeks of insurance.) The salaried employee was a pensioner or had at least 3 years' contributions.

#### Old-Age Benefits

##### Private insurance

*Old-age pension:* The value of the pension is dependent on the insured's contributions plus accrued interest, minus administrative fees. The insured's contributions under the old system are recognized as an indexed bond. At retirement, the insured may make periodic withdrawals from the individual account for the expected lifespan or buy an annuity from a private insurance company, or a combination of the two.

Guaranteed minimum pension: 74,503.52 pesos if retired and under age 70; 81,463.85 pesos if aged 70 or older.

## Social insurance

*Old-age pension:* Wage earners receive 50% of the base wage (average monthly wages during the last 5 years, with the first 2 years adjusted for wage changes), plus 1% of wages for each 50-week period of contributions above 500 weeks.

The minimum pension is set by law.

The maximum pension is 70% of the base wage, plus an increment of 10% for each 150-week period of contributions made after the award of the pension.

Salaried employees receive 1/35 of the base salary times the number of years of contributions.

Salaried woman's child supplement: A supplement of 1/35 of the base salary is paid for each dependent child to a woman with over 20 years of contributions; 2/35 of the base salary if a widow.

The maximum pension is 100% of the base salary.

Benefit adjustment: Automatic annual adjustment of pensions for changes in the price index.

## Permanent Disability Benefits

### Private insurance

*Disability pension:* Following an assessment and certification by the medical committee, the AFP (individual pension fund management company) finances a benefit for 3 years. The benefit is equal to between 50% and 70% of the base salary in the case of total disability; between 35% and 50% for a partial disability.

*Long-term pension:* Following a second level of assessment and certification, the pension is financed through the individual account; same as for old-age, disability, and survivors.

*Guaranteed minimum pension:* 74,503.52 pesos for a disabled person under age 70; 81,463.85 pesos for a disabled person aged 70 or older.

### Social insurance

*Disability pension:* For total disability, wage earners receive 50% of the base wage (average monthly wages during the last 5 years, with the first 2 years adjusted for wage changes), plus 1% of wages for every 50-week period of contributions beyond 500 weeks.

The maximum pension is 70% of the base wage.

Partial disability: 50% of the total disability pension.

Salaried employees receive 70% of the base salary, plus 2% of the salary for every year of contributions beyond 20 years.

The maximum pension is 100% of the base salary.

Benefit adjustment: Automatic annual adjustment of pensions for changes in the price index.

## Survivor Benefits

### Private insurance

*Survivor pension:* A widow or a disabled widower receives 60% of the pension; 50% if the pension is also paid to children; 36% of the pension to the mother of natural children born outside of marriage; 30% to the mother of natural children born outside of marriage if the children are eligible for an orphan's pension; 15% of the pension for each orphan up to age 18 (age 25 if a student; no limit if disabled).

*Other eligible survivors (in the absence of the above):* 50% of the pension to parents.

The total survivor pension must not exceed 100% of the pension.

### Social insurance

*Survivor pension:* For a wage earner's widow of any age or a disabled widower, 50% of the base wage or 100% of the insured's pension, whichever is higher. Each orphan under age 15 (age 18 if a student; no limit if disabled) receives 20% of the base wage or average pension in the preceding year. The mother of the deceased's natural children receives 60% of the widow's pension.

For a salaried employee's widow or dependent widower, 50% of the pension or the insured's base salary during the last 5 years. Each orphan (under age 18 or age 25 if a student; no limit if disabled) and dependent parents receive 15% of the insured's pension or average salary.

The maximum survivor pension is 100% of the insured's pension or salary.

*Funeral grant:* For the funeral of a wage earner or a salaried employee, 3 months' minimum income.

## Administrative Organization

**Private insurance:** Superintendent of Pension Fund Management Companies provides general supervision.

Individual pension fund management companies (AFPs) administer individual capitalization accounts.

**Social insurance:** Ministry of Labor and Social Welfare, through the Superintendent of Social Security, provides general supervision.

Institute of Social Security Standardization administers the program.

## Sickness and Maternity

### Regulatory Framework

**First law:** 1924.

**Current laws:** 1978, 1981, and 1985.

**Type of program:** Social insurance system. Cash and medical benefits.

Note: Insured persons choose to be covered by the public national health service system or by private social security health institutes.

## Coverage

**Public system:** All public- and private-sector workers; pensioners; persons receiving work injury, unemployment, or family allowance benefits.

**Private system:** Covered workers and their dependents. Persons not receiving family allowances may contract in.

## Source of Funds

### Public system

*Insured person:* Wage earners and salaried employees contribute 7% of earnings. Pensioners contribute 7% of the pension.

*Employer:* None, except subsidies for maternity benefits.

*Government:* A partial subsidy.

### Private system

*Insured person:* Wage and salary workers and the self-employed contribute 7% of earnings, regardless of contracted plan.

*Employer:* None.

*Government:* Partial subsidy for maternity benefits.

The maximum monthly earnings for contribution purposes (old and new systems) are 60 UFs (unidades de fomento). In January 2003, one UF equaled 16,743.58 pesos. The value of the UF for pension purposes is adjusted monthly to changes in the consumer price index.

## Qualifying Conditions

**Cash sickness and maternity benefits:** Currently insured wage earners and salaried employees with a total of 6 months of contributions including 3 months of contributions in the last 6 months. Currently insured self-employed persons with 12 months of enrollment and 6 months of contributions in the 12 months before the onset of incapacity.

**Medical benefits:** All workers who are currently covered. The qualifying conditions for the public and private systems are the same.

## Sickness and Maternity Benefits

### Public system

*Sickness benefit:* For public-sector employees, 100% of net earnings. For private-sector employees, the average monthly net earnings in the 3 months before the onset of illness.

*Maternity benefit:* For public-sector employees, 100% of net earnings. For private-sector employees, the average monthly net earnings in the 3 months before the onset of illness.

Benefit is payable for 6 weeks before and 12 weeks after the expected date of childbirth.

### Private system

*Sickness and maternity benefit:* The insured signs a minimum 12-month contract with an individual health institute. Benefits vary by contract but cannot be less than those provided by the public system.

*Benefit adjustment:* Benefits are adjusted after every 12 consecutive months of benefits paid to the insured.

## Workers' Medical Benefits

### Public system

*Medical benefits:* Benefits include general and specialist care, periodic medical examinations, hospitalization, medicines, dental care, and maternity care. There is no limit to duration.

### Private system

*Medical benefits:* Benefits vary by contract but generally include medical and surgical care, hospitalization, pharmaceuticals, and maternity care. Some contracts also provide dental care. The insured makes copayments.

## Dependents' Medical Benefits

### Public system

*Medical benefits for dependents:* Benefits include general and specialist care, periodic medical examinations, hospitalization, medicines, dental care, and maternity care. There is no limit to duration.

### Private system

*Medical benefits for dependents:* Same as cash sickness and maternity benefits. All women are entitled to regular checkups while pregnant and for up to 6 months after giving birth; children under age 6 are also entitled to regular checkups.

## Administrative Organization

**Public system:** Ministry of Health provides general supervision.

National Health Services administers benefits and services.

**Private system:** Superintendent of Health Institutions oversees individual health institutes.

## Work Injury

### Regulatory Framework

**First law:** 1916.

**Current law:** 1968.

**Type of program:** Social insurance system.

## Coverage

Employed persons, government workers, students, and some self-employed persons.

## Source of Funds

**Insured person:** None, except for the self-employed.

**Employer:** 0.95% of payroll, plus up to 6.8% of payroll according to the industry and the assessed degree of risk (for wage earners and salaried employees). Employers may contract out of the system by offering equal or improved benefit provisions.

**Government:** Contributes as an employer.

## Qualifying Conditions

**Work injury benefits:** There is no minimum qualifying period.

## Temporary Disability Benefits

For public-sector employees, 100% of net earnings. For private-sector employees, the benefit is average monthly net earnings in the 3 months before the onset of illness. The benefit is payable from the day of injury for up to 12 months (may be extended up to 24 months).

**Benefit adjustment:** Benefits are adjusted as wages rise either by law or collective agreement.

## Permanent Disability Benefits

**Permanent disability pension:** With an assessed degree of disability of at least 70% (total disability), 70% of the base wage.

**Constant-attendance supplement:** 30% of the base wage.

**Partial disability:** With an assessed degree of disability of between 40% and 67.5%, 35% of the base wage. A lump-sum grant of up to 15 months' base wages is paid for an assessed degree of disability of between 15% and 37.5%.

## Workers' Medical Benefits

Benefits include necessary medical, dental, and pharmaceutical services; hospitalization; appliances; rehabilitation; and occupational retraining. There is no cost sharing.

## Survivor Benefits

**Survivor pension:** 50% of the insured's pension, payable to a widow over age 45 or caring for a child; at any age if disabled.

**Orphan's pension:** 20% of the insured's pension for each orphan under age 18 (age 24 if a student or any age if disabled); 50% for each full orphan.

## Administrative Organization

Ministry of Labor and Social Welfare provides general supervision.

Superintendent of Social Security administers contributions and cash benefits through the Institute of Social Security Standardization, the Private Salaried Employees' Welfare Fund, other private enterprises, and employers' nonprofit mutual insurance groups.

National Health Service provides medical benefits.

## Unemployment

### Regulatory Framework

**First law:** 1937.

**Current laws:** 1981 (unemployment) and 2001 (severance), implemented in 2002.

**Type of program:** Dual employment-related and mandatory individual severance account system.

**Note:** A system of mandatory individual severance accounts was implemented in October 2002.

### Coverage

**Employment-related system:** Employed persons.

**Individual severance account:** Employed persons; new entrants aged 18 or older and workers who sign a new work agreement after October 1, 2002.

Voluntary participation for other workers.

**Exclusions:** Most domestic workers, apprentices, pensioners (unless partially disabled), the self-employed, and members of the armed forces.

### Source of Funds

#### Employment-related system

**Insured person:** None.

**Employer:** None.

**Government:** Total cost met through the Unified Family Allowances and Unemployment Fund.

#### Individual severance account

**Insured person:** 0.6% of insured earnings a month (plus an administrative fee) for up to 11 years for each job. (Workers employed under a fixed-term contract do not contribute.)

**Employer:** 2.4% of insured earnings a month for up to 11 years (for lower-income workers, 1.6% to the insured's individual account and 0.8% to the Solidarity Severance Fund). If an employee has more than one employment contract, each employer must contribute (3% of earnings for workers employed under a fixed-term contract).



**Government:** Annual payment to the Solidarity Severance Fund, adjusted annually depending on the level of coverage.

The maximum monthly earnings for contribution purposes are 90 UFs.

## Qualifying Conditions

### Unemployment benefit

**Employment-related system:** The insured has 52 weeks of coverage during the previous 2 years (for wage earners and salaried employees) and is registered for employment and able and willing to work. Unemployment must not be due to reasons within the insured's control.

**Individual severance account:** Must be unemployed and have at least 1 year of contributions; those with fixed-term contracts must have 6 months of contributions since they first joined the system or since the individual account was last fully drawn down.

If the balance in the individual account is insufficient to pay a benefit, the insured is eligible for a benefit under the Solidarity Severance Fund provided they were dismissed due to forces beyond their control, had contributed in the 12 months before unemployment, were not employed on a fixed-term contract, and had not refused a suitable job offer. Benefit under the Solidarity Severance Fund is available only twice in any 5-year period.

### Unemployment Benefits

**Employment-related system:** For the first 90 days, 17,338 pesos a month; between 91 days and 180 days, 11,560 pesos a month; between 181 days and 360 days, 8,669 pesos a month. Persons who are eligible for benefits may also continue to receive family allowances, maternity benefits, and medical benefits.

If the insured is eligible for a Solidarity Severance Fund benefit, the employer can reduce the unemployment benefit paid to the insured to the value of the contributions paid on the insured's behalf.

**Individual severance account:** The benefit decreases each month and lasts from 1 to 5 months depending on the length of the contribution period. The first monthly benefit is calculated as a percentage of total contributions. The percentage varies according to the total number of monthly payments to which the insured is entitled. The amounts of the second and following payments are 90%, 80%, and 70% of the first monthly amount, respectively. The fifth payment is equal to the remaining value of the capital in the individual account.

If the insured is eligible to a benefit from the Solidarity Severance Fund, in all instances the benefit is paid for 5 months. The first monthly benefit is equal to 50% of average earnings in the last 12 months; 45% for the second; 40% for the third; 35% for the fourth; and 30% for the fifth month. The guaranteed minimum benefit is equal to the minimum wage.

Insured persons leaving employment under a fixed-term contract or who retire are entitled to a single lump-sum payment equal to the total accumulated capital in the individual account, plus interest. If the insured dies before retirement, the accumulated capital is transferred to a designated heir.

The insured can opt to stop receiving benefits in order to safeguard the accumulated capital for a future period of unemployment. Persons who are eligible for benefits may also continue to receive family allowances, maternity benefits, and medical benefits.

The minimum monthly benefit (for insured workers entitled to a Solidarity Severance Fund benefit) is 67,000 pesos for the first payment, decreasing gradually to 31,800 pesos for the fifth payment.

The maximum monthly benefit (for insured workers entitled to a Solidarity Severance Fund benefit) is 128,000 pesos for the first payment, decreasing gradually to 77,100 pesos for the fifth payment.

Benefits are paid after 45 days of unemployment.

**Benefit adjustment:** The maximum and minimum benefits provided under the Solidarity Severance Fund are adjusted annually in February according to the consumer price index.

## Administrative Organization

**Employment-related system:** Ministry of Labor and Social Welfare provides general supervision.

Superintendent of Social Security, through the Institute of Social Security Standardization and Family Allowance Compensation Funds, administers the program.

**Individual severance account:** Severance Fund Manager (AFC) administers the program.

## Family Allowances

### Regulatory Framework

**First laws:** 1937 (salaried employees) and 1953 (wage earners).

**Current law:** 1981 (wage earners and salaried employees).

**Type of program:** Employment-related system (unified program for wage and salaried workers).

### Coverage

Employed persons and pensioners with one or more children or other eligible dependents.

Special program for the needy.

### Source of Funds

**Insured person:** None.

**Employer:** None.

**Government:** Total cost met through the Unified Family Allowances and Unemployment Fund.

### ***Qualifying Conditions***

**Family allowances:** The child must be under age 18 (age 24 if a student; no limit if disabled); also payable from the fifth month of pregnancy.

Allowances are also paid for a dependent wife, a disabled husband, a widowed mother, stepchildren, orphaned or abandoned grandchildren and great-grandchildren, orphans, and disabled or aged parents over age 65.

Special benefits are provided for persons assessed as needy.

### ***Family Allowance Benefits***

**Family allowances:** A fixed monthly amount is paid for each dependent; disabled persons receive a double allowance.

Special benefits are provided for persons assessed as needy.

Benefit adjustment: Benefits are adjusted periodically.

### ***Administrative Organization***

Ministry of Labor and Social Welfare and the Superintendent of Social Security provide general supervision.

Family Allowance Compensation Fund, the Institute of Social Security Standardization, and other public and private organizations are responsible for the payment of benefits.

Special program administered by the Emergency Social Fund.