

UNITED NATIONS RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT

DP 47

**RESTRUCTURING  
AND THE NEW WORKING CLASSES  
IN CHILE**

**Trends in Waged Employment,  
Informality and Poverty, 1973–1990**

**by Alvaro Díaz**

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October 1993

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ISSN 1012-6511

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## PREFACE

Chile is frequently cited as one of the outstanding “success stories” of neoliberal adjustment. After deep recessions in 1974-1975 and 1981-1983, the Chilean economy experienced unusually strong recovery during the latter 1980s and has been characterized by high levels of growth throughout a period of transition from authoritarian to democratic rule in the 1990s.

In this paper, Alvaro Díaz discusses the reorganization of the labour market, and the redefinition of poverty, which accompanied the neoliberal experiment of 1973-1990 in Chile. The first decade of authoritarian restructuring (between the military coup of 1973 and the debt crisis of 1981-1982) was marked by rapidly rising unemployment, a fall in waged work, a growth in urban informal employment and an increase in marginality. All of these might be considered indicators of economic exclusion. During the following decade, however, such labour market trends were reversed. Poverty continued to constitute a grave problem, affecting an estimated 40 per cent of the population in 1990. But it was associated less with exclusion than with a new form of inclusion in a national economy and society undergoing a process of profound qualitative change.

The Chilean “economic miracle” of the past decade has been built on a strategy of export growth requiring low wages, a high level of internal oligopsony and a flexible labour market with severe restrictions on unions. In the process, sufficient jobs have been created to reduce unemployment drastically; but prevailing employment practices, which allow formal sector businesses to hire workers without a contract, or on temporary contracts, foster precarious employment conditions for a large part of the labour force.

The single most important element of poverty in present-day Chile is not unemployment or marginalization, but precarious wage employment. The author argues that since this situation is inherent in the style of modernization underlying economic recovery, economic expansion per se is no guarantee that there will be any automatic evolution toward more stable and remunerative alternatives for most people.

At the same time, widespread poverty among groups who are neither unemployed nor marginal poses a serious challenge for social programmes relying on some form of targeting. The author concludes that “the conditions for equality cannot now be constructed on the basis of increased, targeted expenditure. There is a growing need for the construction of more transparent and less distorted markets, more open and less authoritarian companies, greater access to education and training, more possibilities for union organization and participation at work, and wage and efficiency policies based on the just distribution of increases in productivity”. Such conclusions are of direct relevance to the current debate on the social implications of economic restructuring, not only in Chile or Latin America, but indeed around the world.

Alvaro Díaz prepared this paper within the framework of a research project on Chile: *La gran transformación*, carried out by SUR Profesionales of Santiago de Chile. The project forms part of the UNRISD programme of comparative international research on Crisis, Adjustment and Social Change in Latin America, co-ordinated by Cynthia Hewitt de Alcántara.

October 1993

Dharam Ghai  
Director

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## ACRONYMS

CASEN	Encuesta de Caracterización Socioeconómica Nacional
CED	Centro de Estudios del Desarrollo
CELADE	Centro Latinoamericano de Demografía
CEPAL	Comisión Económica para América Latina y el Caribe
CIEPLAN	Corporación de Investigaciones Económicas para Latinoamérica
CNRS-ORSTOM	Centre National de la Recherche Scientifique-Institut Français de Recherche Scientifique pour le Développement en Coopération
EAUP	Economically active urban population
ETE	Spurious tertiary employment
ETI	Informal tertiary employment
FLACSO	Facultad Latinoamericana de Ciencias Sociales
GIA	Grupo de Investigaciones Agrarias
INE	Instituto Nacional de Estadísticas
PEA	Total economically active population
PEE	Population enrolled in emergency work programmes
PET	Programa de Estudios del Trabajo
PREALC	Programa Regional de Empleo para América Latina y el Caribe, International Labour Organization

## INTRODUCTION

During the decade 1982-1992, the social structure of Chile was fundamentally transformed, particularly in relation to the condition of workers and the nature of poverty. The central thesis of this study is that the breakup of the old social structure, which was the most important feature of the period 1973-1982, has been completed. This was a period characterized by rising unemployment, a fall in waged work, a growth in urban informal employment and an increase in marginality. By contrast, the period 1982-1992 saw a period of social restructuring which speeded up after 1986 and which was marked by a fall in the rate of unemployment, a reduction in informality and tertiary employment, and an increase in waged work among the labour force. Examination of what took place between 1973 and 1992 leads to the conclusion that a real historical cycle of destructuring and restructuring has taken place. This is similar to what took place in Chile between 1920 and 1940 - a period which encompassed the nitrate crisis and the Ibañez del Campo dictatorship, lasting until the Popular Front and the beginnings of import-substituting industrialization. Nevertheless, the cycle which would seem to have just ended has had a wider spatial impact, a different structural direction and a greater susceptibility to future changes and fluctuations. This is because the Chilean economy is more open, and hence sectors and regions are susceptible to more rapid and intense situations of expansion or decline than was the case at the middle of the century.

Looking at what has taken place, the direction and magnitude of change cannot fail to impress the observer. In the last three-monthly period of 1982, there were more than 1.2 million people unemployed or participating in emergency work programmes. Ten years later, the number of unemployed had been reduced to less than 250,000, within the context of the disappearance of emergency work programmes and a relative fall in informal urban employment. This means that, between 1982 and 1992, more than a million Chileans left the ranks of the unemployed, at the same time that underemployment was falling. Of course, the official statistics are generous in their understanding of what constitutes an "employed person".<sup>1</sup> It is nevertheless undeniable that the rate of unemployment has been substantially reduced - from 27 per cent in 1982 to 4.5 per cent in 1992.

The consolidation of the newly emerging economy and social structure has coincided with the democratization of the country. This has opened the way for a subjective reshaping of Chilean society whose characteristics will take years to acquire a more definitive form. In

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<sup>1</sup> From 1986 onward, the following definition of employed and unemployed persons has been utilized by the National Statistical Institute of Chile in its labour force surveys:

- (a) an **employed** person is anyone who during the week preceding the interview (1) engaged in one or more hours of remunerated work in the employ of others (whether waged or salaried, on commission or remunerated in kind); or as an employer or self-employed person (such as farmers, merchants, independent workers or other professionals); or in unremunerated family labour involving an average of at least fifteen hours of work per week; or (2) despite having a job or owning a business, did not work during that week due to vacations, short-term illness, permission to be temporarily absent, or for some other reason.
- (b) (b) an **unemployed** person is anyone who was not working during the week preceding the survey, and (1) had previous regular work experience, and desired and had actively sought work at some point during the preceding two months, but had not been able to find it; or (2) had no previous regular employment but wanted to work for the first time and had attempted during the previous two months to obtain employment.

the meantime, it is important to document and analyse the major trends of change occurring within the world of work. That is the purpose of the following article.

## I. THE NEW WAGED EMPLOYMENT

### Emerging trends

During the 1980s, various sociological and economic studies pointed to a process of falling waged employment in the developed industrial world, without paying sufficient attention to notable exceptions such as Japan and the newly industrializing countries (NICs) of South-East Asia. There was a tendency to view this phenomenon as a global process which was being extended to Latin America. The origins of the process were seen to lie in structural crisis, as well as the transition towards a new economic model in which the so-called “wage relation” loses importance.<sup>2</sup> By the same token, workers as a different social group and relevant social actor also become less significant in the political system.

Graph 1 illustrates the fact that during the period 1973-1983 Chile appeared to have followed the same road. There was a reduction in the relative and absolute importance of waged workers, as much in the middle as in the working class (Tironi and Martinez, 1983). In effect, waged work fell, during the period 1972-1983, from 65.7 per cent to 48.2 per cent of total employment.<sup>3</sup> This decline was intimately related to two economic crises, the first in 1974-1975 and the second in 1981-1983. Between 1979 and 1983, total waged workers fell from 1.9 to 1.4 million people. Half of this reduction can be explained by a drastic reduction in public employment (–75,000) and a major decrease in industrial employment (–65,000). The origin of this rapid decline in waged employment was the fierce neo-liberal structural adjustment which aggravated the consequences of two external shocks (1974-1975 and 1981-1983) and generated deep recession and massive unemployment in the tradable goods sector (e.g., manufacturing industry). This impact was deepened by the drastic rationalization of public employment.

Nevertheless between 1983 and 1992 the evidence shows a reversal in this process. During that period employment increased by 1.8 million people, 86 per cent of whom were waged. At the beginning of 1987, the rate of waged work was higher than in 1980-1981 (the years before the recession 1982-1983) and, at a rate of 63.1 per cent of total employment, was also higher than 1966 and almost equal to 1970.<sup>4</sup>

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<sup>2</sup> The term “wage relation” comes from regulation theory. See Robert Boyer, *Teoría de la regulación*, Sao Paulo Editorial Brasiliense, 1988.

<sup>3</sup> Waged work is defined here as the sum of all workers and salaried employees counted in the quarterly employment surveys of the National Statistical Institute of Chile. Persons in military service or associated with emergency work programmes are not included in the category of waged work.

<sup>4</sup> The rate of waged work is understood to comprise the waged work force, defined in footnote 2, divided by the total workforce of the country. It is difficult to compare the rate of waged work during the 1990s with the period before 1973, since the censuses of 1960 and 1970 tend to overestimate the situation in the countryside by considering all *inquilinos* (tenants enjoying usufruct of a plot of land in return for a contribution of family labour to the landlord) as waged workers. A significant proportion of all *inquilinos* in fact received up to 50 per cent of their incomes in non-wage forms before the 1970s. At the same time, the employment surveys of INE after 1976 have tended to underestimate agricultural wage labour by considering seasonal pieceworkers to be self-employed.

### Graph 1: Chile: Rate of Waged Work 1976-1992

Source: INE, fourth trimester.

(Graph not available in this version of the report)

<b>Table 1: Chile: Rate of waged work, 1966-1992</b> <b>(waged workers/total employed labour force)</b>					
	<b>1966</b>	<b>1970</b>	<b>1972</b>	<b>1982</b>	<b>1992</b>
Men	66.6	n.a.	n.a.	57.4	66.6
Women	42.7	n.a.	n.a.	45.7	55.7
Total	62.8	63.8	65.7	48.7	63.1

**Source:** National Statistical Institute of Chile (INE), National Employment Survey.  
1966-1972: second quarter; 1976-1992: fourth quarter.

At the same time, it is interesting to note that although the proportion of the labour force in waged work increased between 1982 and 1992, the same did not occur with the share of wages in national income, which remained stationary at around 38 per cent. Here it should be pointed out that the fall in waged work in the previous 1975-1982 period was accompanied by a considerable increase in the concentration of personal income, and that the rebound in waged work did not reverse the situation. Currently, the richest 10 per cent of the population controls 38 per cent of disposable personal income - a situation which does not appear to have changed significantly since 1988.

The explanation for this phenomenon lies in two major groups of factors. First, there are **structural factors** involving the concentration of wealth in Chile's small open economy. These have their origin in the enhanced weight of large companies which produce or distribute the majority of exports. In effect, around 15 companies now control 85 per cent of exports. The majority produce primary goods on a large scale with continuous production and a high capital/labour ratio. Second, there are **institutional factors** which have to do with the organization and control of capital markets and facilitate the concentration of surpluses. Furthermore, the organization of the labour market leads to its segmentation and to the massive presence of precarious employment. The weak bargaining power of labour has consistently meant that the growth of productivity per person-hour has been superior to the growth of real wages per hour.

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