

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

UNRISD Discussion Papers are preliminary documents circulated in a limited number of copies to stimulate discussion and critical comment.

October 1993

The **United Nations Research Institute for Social Development (UNRISD)** is an autonomous agency that engages in multi-disciplinary research on the social dimensions of contemporary problems affecting development. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The Institute attempts to provide governments, development agencies, grassroots organizations and scholars with a better understanding of how development policies and processes of economic, social and environmental change affect different social groups. Working through an extensive network of national research centres, UNRISD aims to promote original research and strengthen research capacity in developing countries.

Current research themes include: Crisis, Adjustment and Social Change; Socio-Economic and Political Consequences of the International Trade in Illicit Drugs; Environment, Sustainable Development and Social Change; Integrating Gender into Development Policy; Participation and Changes in Property Relations in Communist and Post-Communist Societies; Political Violence and Social Movements; Ethnic Diversity and Public Policies; The Challenge of Rebuilding Wartorn Societies; and Economic Restructuring and Social Policy.

A list of the Institute's free and priced publications can be obtained from the Reference Centre.

**United Nations Research Institute
for Social Development
Palais des Nations
1211 Geneva 10
Switzerland**

**E-mail: info@unrisd.org
World Wide Web Site: www.unrisd.org**

ISSN 1012-6511

Copyright © United Nations Research Institute for Social Development (UNRISD). Short extracts from this publication may be reproduced unaltered without authorization on condition that the source is indicated. For rights of reproduction or translation, application should be made to UNRISD, Palais des Nations, 1211 Geneva 10, Switzerland. UNRISD welcomes such applications.

The designations employed in UNRISD publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of UNRISD concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by UNRISD of the opinions expressed in them.

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

CONTENTS

	PAGE
INTRODUCTION	1
I. THE NEW WAGED EMPLOYMENT	2
II. THE NEW INFORMALITY	8
III. THE NEW TERTIARIZATION IN CHILE	12
IV. THE NEW SOCIAL CHARACTER OF POVERTY	18
BIBLIOGRAPHY	24

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".¹ 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

¹ 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.² 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.³ 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 1970.⁴

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

³ 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.

⁴ 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)

Table 1: Chile: Rate of waged work, 1966-1992 (waged workers/total employed labour force)					
	1966	1970	1972	1982	1992
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.

At the same time, it should be pointed out that this situation is not necessarily permanent. The Chilean economy is growing, within the context of a type of real change which is qualitatively different from that which has taken place in the past. There is a progressive development of manufacturing industry and productive services. To that must be added a certain tightness in the labour market, the widening of negotiation and collective bargaining, and the future institutional reforms which will take place in a more advanced stage of democratic transition. All of this should feed through into a gradual but progressive increase in the share of wages in national income.

The new working class(es)

Overall evidence invites the formulation of various different hypotheses on the social and political impact of the renewed growth in waged work. A basically structuralist approach could identify such a trend with the inevitable return of the working class to the political and social arena, perhaps in the form of union movements with the potential to influence the parties of centre and left by reinforcing their class discourse and representation. This would strengthen the organic nature of civil society, creating a space for the rebirth of what was formerly known as the “compromising state” in Chile - an arrangement for the representation and reconciliation of conflicting interests which is both necessary and possible in a small open economy. According to the standpoint from which this is analysed, such a possibility either fans old fears or revives old desires.

But this is simply one of several possibilities, the realization of which depends on a variety of political, social and cultural factors. In fact, an analysis of the return to waged work leads to the conclusion that this does not entail the reproduction of the past at all, but rather the creation of very different structures of social relations. The roots of some of these can be outlined as follows.

Changes in the gender composition of the labour force

A notable departure from the past involves changes in the gender composition of the waged work force in Chile. Although women constitute a clear minority of the latter, their importance has grown markedly: from 15.9 per cent in 1966 to 27.6 per cent in 1992. Over a longer period, waged women have also increased in importance as a proportion of total female employment, rising from 42.7 per cent to 58.6 per cent of the latter between 1966 and 1992. This increase is accounted for by the growth of waged female labour in the primary and tertiary sectors, which contrasts with a decline in the secondary sector.

Sectoral changes

Table 2 compares the position of waged work over a series of three-year periods: (i) 1976-1978, which corresponds to the first years of neo-liberal structural adjustment within the context of an authoritarian regime, and to the beginning of an economic recovery; (ii) 1982-1984, years of recession and high unemployment prior to the second structural adjustment of a more unorthodox type; and (iii) 1990-1992, which were years of economic expansion within the context of transition and democratic government.

Comparing the situation between 1976-1978 and 1990-1992, it is apparent that although shifts in the distribution of waged work among economic sectors have not been very large, significant changes have indeed occurred within sectors.

**Table 2: Population in wage employment, 1976-1978, 1982-1984 and 1990-1992
(three-yearly averages)**

	1976-1978		1982-1984		1990-1992	
	(000)	(%)	(000)	(%)	(000)	(%)
Agriculture	219	14	227	15	458	16
Fishing	10	-	15	1	20	1
Mining	69	4	52	3	80	3
Primary	297	19	293	19	558	19
Manuf. Ind	356	22	318	20	595	21
Utilities	29	2	24	2	22	1
Construction	84	5	78	5	231	8
Secondary	469	29	420	27	848	30
Commerce	191	12	243	16	406	14
Trans./Comm.	134	8	129	8	209	7
Financial	60	4	85	5	181	6
Serv.						
Other	180	11	170	11	491	17
Services						
Public Emp.	270	17	215	14	190	7
Tertiary	834	52	843	54	1,477	51
Total	1,601	100	1,556	100	2,883	100

Source: National Statistical Institute of Chile (INE), National Employment Survey, fourth quarter.

Primary sector

Here we see a doubling of waged work in agriculture (including the forestry sector), a trend which continued during the crisis of 1982-1984 and which reflects the dynamics of modernization in the Chilean countryside. At the same time, the proportion of all waged work in the country which could be attributed to the agroforestry sector increased from 14 to 17 per cent.

Secondary sector

Waged work in construction has almost tripled, although this grew at an inferior rate to total employment in the sector. Not surprisingly, opportunities for waged employment have also increased markedly in those areas of manufacturing industry directly linked to the processing of natural resources. Activities in industries such as textiles and metallurgy have, however, declined in importance.

Tertiary sector

In general, the tertiary sector has shown a pattern of increase in waged work - a process which slowed down with the crisis, but which accelerated during the second half of the 1980s. Between the beginning and the end of the period under discussion, the rate of waged employment within the sector rose from 50 per cent to 58 per cent (although, as noted in Table 2, the proportion of all waged labour in the country attributable to the tertiary sector remained almost constant). What is particularly striking is that the growing importance of waged labour relations within this sector took place despite an absolute decline in public employment, which fell by 30 per cent and saw its relative importance in the total waged workforce reduced from 17 to 7 per cent.

At the same time, the number of waged workers in commerce doubled, a trend toward growth which continued even during the 1982-1984 recession. Salaried employees in finance tripled over the whole period - a process which was temporarily stalled during 1982-1984 when the crisis directly affected the financial sector of the Chilean economy. Between 1976-1978 and 1990-1992, both sectors increased their relative weight from 16 per cent to 20 per cent of the total waged labour force.

Shifts between urban and rural areas

Between 1976 and 1992, there were important changes in the **spatial** distribution of waged workers. Urban employment grew more quickly than rural employment, reflecting a process of urbanization which reduced the absolute number of residents and size of the labour force in the rural areas. As can be seen in the following table, both total and waged rural employment declined as a percentage of national employment, while within rural areas themselves the proportion of the work force receiving salaries or wages grew at an inferior rate to that being experienced in urban areas.

Table 3: Urban and rural waged work (averages 1976-1978, 1981-1983 and 1990-1992)			
	1976-1978	1981-1983	1990-1992
1. National employment			
Index total emp.	100	111	160
Index total waged	100	94	174
Rate of waged work	58%	44%	62%
2. Urban employment			
Index urban emp.	100	113	173
Index waged emp.	100	113	186
Rate of waged work	61%	45%	64%
3. Rural employment			
Index rural emp.	100	103	112
Index waged emp.	100	83	113
Rate of waged work	47%	39%	49%
Rural emp./total emp.	22%	22%	15%
Rural waged/total waged	18%	18%	12%
4. Agricultural employment (excluding fishing)			
Index total emp.	100	98	167
Index waged work	100	103	229
Rate of waged work	44%	47%	55%
Agric. emp./total emp.	18%	16%	19%
Agric. waged/ total waged	13%	12%	17%
5. Rural employment/ agricultural employment			
Rural emp./agric. emp.	118%	123%	79%
Rural waged/ agric. waged	129%	108%	70%

Source: National Statistical Institute of Chile (INE), National Employment Survey, fourth quarter.

Nevertheless, waged relations were extended in the countryside, and there is reason to think that the proportion of waged work in agriculture and fishing may be underestimated. In the first place, it would appear that many rural workers categorized as “self-employed” are, in reality, waged piece workers. In the second place, the previous table reveals that the last 15 years have seen a growing **spatial asymmetry between place of residence and work in the agricultural sector, since a growing proportion of those who work in the countryside live in urban areas**. This is especially so for temporary workers who currently live in small and intermediate cities.

The indicators are extremely revealing in this respect. Between 1976 and 1992, the proportion of total employment represented by **rural** employment fell from 22 per cent to 15 per cent. Nevertheless, **agricultural** employment (excluding fishing) **increased** its relative importance in total employment and even more so in waged employment. In the periods 1976-1978 and 1982-1984 there were more workers in the rural sector than in the agricultural sector. This was reversed in the second half of the 1980s and is reflected in the figures for 1990-1992, suggesting an average of 680,000 people in rural employment and an average of 800,000 in agricultural employment (excluding fishing). Such a process was (as noted above) concomitant with a reduction in the total population and labour force of rural areas.

It is clear that this is related to the expansion and diversification of agriculture and agro-industrial production, which is concentrated in terms of product and employment in the Central Valley. Between 1976 and 1992, waged employment fell in the Northern and Southern regions but grew in the Central Valley and extreme South.

Spatial decentralization

Between 1976 and 1992, there was an increase of 1.4 million waged workers in Chile. Forty-three per cent of this increase took place in Santiago and 10 per cent in the two next largest cities (Valparaíso and Concepción), while 24 per cent is explained by growth in intermediate cities, 21 per cent in other urban areas and 2 per cent in rural areas. Thus although the bulk of the expansion of the waged labour force was concentrated in urban areas, a significant change has occurred with respect to the tendencies in previous decades for growth in waged labour to be concentrated almost exclusively in the three largest cities. Although these continue to concentrate more than 50 per cent of waged workers in the country, their relative importance has decreased and the proportion of the labour force in waged labour has become more uniform between large, medium and small cities. This reflects a structural change in the geography of waged labour in the country.

In general, the proportion of all waged work in Chile which is carried out in urban areas has grown continuously over the past few decades, passing from 70 to 84 per cent of the total between 1970 and 1990.

Dispersion of waged workers among a growing number of firms

The Chilean business class underwent a double process of change over the 1980s. On the one hand there was the reconstitution of powerful national “economic groups” and the entrance of foreign corporate interests, strengthened in both instances by the privatization of state enterprises. On the other hand, there was an expansion of small and medium business.

This expansion was not equally spread across sectors. In order of importance, greater growth was registered in the primary sector than in the secondary and tertiary sectors. The

urban concentration of business increased, with a reduction in Santiago but a significant increase in the intermediate cities of Concepción and Valparaíso.

Graph 2 illustrates the dramatic growth in number of employers registered by national employment statistics over the past decade. Although during the period of economic recuperation which lasted from 1976 to 1980 there had been little growth either in employers or in waged workers, this situation changed completely from 1983 onward. The number of employers tripled in the following decade, and the number of waged workers doubled. Since the numerical expansion of the business class was registered principally in small and medium firms, it is not unreasonable to suppose that a good part of the growth in waged work also took place in this type of enterprise. This would suggest a process of deconcentration or dispersion of waged workers among firms.⁵

Graph 2: Chile: Employers and waged workers (1976=100)

Source: INE, fourth trimester.

(Graph not available in this version of the report)

II. THE NEW INFORMALITY

Stagnation of informal employment

A great deal of attention has been paid by social scientists to the so-called “informalization” of the economy in both industrial and developing countries. The concept tends to be used in two ways which are in some respects similar, but in others quite different. The first bases analysis of “informality” on the expansion of certain types of economic relations which, either owing to the crisis or the dominant mode of regulation of the economy, constitute areas where the state intervenes in a weak or diffuse manner. The second, which is widely adopted, sees informality as a body of agents with certain characteristics, who are located in the urban world. This latter concept tends to be expressed in terms of an urban informal sector.

Each usage of the term “informality” is associated with a distinct theoretical tradition. The first is currently employed within regulation theory, where agents appear in a complex world of economic relations. The second, focusing on the urban informal sector, is closely related to structural dualism. There are, however, still further differences of emphasis within the second camp. Some authors have understood the urban informal sector as a social system different from the formal economy, but subordinated to the latter through relations of unequal exchange (Tokman, 1978). This idea is a long way from theories which use the concept of a “marginal mass”, which is presumed to be afunctional to the general system (Martinez and León, 1987).

⁵ It would seem that in 1960 there were more than twice the number of waged workers per employer as in 1990. This must be taken, however, as only a rough approximation, since information from the 1970 census is being compared with the annual average figure provided by the national employment survey of INE. The first source shows 50 workers per employer in 1960, and the second suggests 18 workers per employer for 1990.

In the Chilean case, various arguments have been put forward to explain the expansion of the urban informal sector. One highlights growing rural-urban migration, whether because of the incapacity of the rural world to absorb the growth in the economically active population or because of the attractiveness for the peasant of the differential between rural and urban wages (Ramos, 1984; PREALC, 1991a). Another emphasises low demand for labour in the “modern” urban sector, owing to the technologies employed there (García and Tokman, 1984). There is also the suggestion that growth of the informal sector is linked to the crisis of the Chilean welfare state, which during the sixties partially covered the urban world. In this argument, the increasing incapacity of the state to guarantee indirect wages promoted the development of alternative survival strategies within the popular sector. Such a process has been functional to capitalism, since it reduces the costs of reproducing the labour force. Finally, another important school of thought has argued that the successive recessions of 1974-1975 and 1982-1983, as well as neo-liberal policy, have led to processes of deindustrialization and “spurious” tertiarization. The latter is understood to involve hidden unemployment and to constitute a refuge for labour displaced from other sectors (Pinto, 1984).

It is well known that statistical problems can seriously distort any analysis of the urban informal sector. A strict definition of the sector includes self-employed workers, unwaged family members and waged workers in micro-enterprises (employing 1 to 5 workers); and excludes domestic workers, as well as technical, professional and managerial staff.⁶ Nevertheless, given that information with respect to waged workers in micro-enterprises is not available, a more restricted definition of the urban informal sector, which includes only the self-employed and unpaid family labour, is generally utilized. (The exclusions already mentioned are maintained in this latter case.)

In Chile, the popularization of the term led to the impression that the urban informal sector was expanding in the long term, especially in the tertiary sector. This despite the fact that a study of the sector for the period 1960-1980 pointed to the contrary (Gatica, 1986). Using the more restricted definition, it can be seen that the Censuses of 1960, 1970 and 1982 reveal a progressive decline in the importance of the urban informal sector with respect to the urban working population as a whole. Using other available information, it is possible to draw up the following table:

Table 4: Chile: Trends in the urban informal sector, 1960-1990
(average annual rates of growth)

	Total population	EAUP	Urban informal
1960-1970	2.04	2.35	1.63
1970-1980	2.23	4.07	5.01
1980-1990	1.56	3.17	2.77

Source: Díaz based on data from INE and PREALC.

The table shows that it was during the 1970s that the urban informal sector grew more rapidly than urban employment as a whole. This occurred not only because of the recession in 1974-1975, but also because the type of recovery between 1976 and 1980 did not provide for a significant increase in employment in sectors like industry.⁷ Nevertheless, during the 1980s the urban informal sector - in its restricted definition - grew at a lower rate than the urban

⁶ PREALC also excludes all those who work in the agricultural, fishing and mining sectors.

⁷ See Alvaro Díaz, “La reestructuración industrial autoritaria en Chile”, **Revista Proposiciones**, (17), 1989.

working population. As a consequence, the Chilean case is not congruent with traditional explanations of a rise in informality.

A more detailed analysis for the period 1976-1990 is provided in the following graph, which suggests that in Chile informality is procyclical and that between 1988 and 1990 it was below the levels of 1979-1981. Nevertheless it is obvious from the preceding discussion that the urban informal sector is underestimated here, since it is not possible to include waged workers, and in particular those of micro-industries, in the data base utilized to create the graph. Taking account of this factor, one can at least conclude that the **make-up** of the urban informal sector has changed. The relative importance of self-employed workers and unpaid family labour has declined while, at the same time, the importance of waged workers has increased. And given the expansion of waged work in Chile, it could be argued that what we witness is not decreasing informality, but rather a **new type of informality** in the country from 1983 onward. In effect, the evolution of the so-called urban informal sector at the beginning of the 1990s has a different dynamic from a decade ago. It is not increasing as a result of the expansion of small mercantile production, as in the past, but rather through the path of small capitalist production.

The question, however, does not end there. The dualist idea that the urban informal sector is a well-differentiated subsystem cannot explain the new forms of regulation which characterise the Chilean economy. It does not take into account the fact that the systematic implementation of neo-liberalism in Chile, and the deregulation of markets which this implies, have fundamentally changed the nature of relations between capital and labour, as well as between sectors of capital and, above all, the type of economic regulation exercised by the state. Such a process makes it extremely complicated to understand manifestations of informality in the real world.

Informal sector or informal relations?

The use of the concept of urban informal sector entails, now more than ever before, a number of theoretical and methodological problems.

Graph 3: Urban informal sector (Chile 1976-1990)

(Graph not available in this version of the report)

First, informality cannot be simply defined as a group of activities necessary for survival, or just as a refuge for unemployed labour. As Portes, Castells and Benton have remarked, it cannot be a “euphemism for poverty” (1989:11). The so-called informal sector is a very heterogeneous category, in which the incomes of certain segments may be superior to those of the formal sector. This is certainly true in the Chilean case (Tironi and Martinez, 1983:201).

Neither can informality be equated with the presence of a supposed pre-capitalist sector. The urban informal sector - whether in its narrower or wider definition - is certainly monetized. It may tend to operate on a “cash up front” basis, but it also contains extensive circuits of informal credit, in Chile as around the world (Mathias and Salama, 1986; Espinoza, 1992).

Neither can informality can be associated with the traditional, the non-modern or non-rational in the Weberian sense of the word. In fact, it represents a specific style of modernization, with a rationale different from that of the past.

Second, the boundaries of informality are not clear. The informal sector is made up not only of the self-employed, but also of employers and waged workers who work in conditions which are not directly regulated by the state. Nevertheless there are plenty of “formal” companies, operating as legal entities and paying taxes, which still operate with “informal” labour relations. They employ workers without legal contract, a widely prevailing practice in small and medium firms. This is particularly easy to do in Chile because labour legislation imposed in 1979 (and minimally modified in 1991) permits it, and the state plays a weak role in regulation of labour markets.

Large companies do not often resort to this type of practice. Nevertheless adoption of a strategy which entails a reduction in the internal vertical integration of corporations, and hence an extensive reliance on sub-contracting to small and medium companies, is widespread in Chile. This has two consequences. First, it establishes a new set of asymmetrical relations between large and small capital, involving agreements which relate not only to prices, but to chains of distribution, direct credit and the transfer of technology. These are organic relations which shape the market but are not regulated by the state. Second, sub-contracting leads to new relations between labour and capital which are institutionalized neither by the state nor by collective negotiation, but rather by agreements between individual workers and employers. This increases the flexibility of capital and reduces the labour costs of the sub-contracting company. Although such companies may be legally registered, the common practice is not to permit unions and to avoid collective bargaining. Their mixed employment practices, which include hiring workers with and without a contract, lead to precarious employment conditions for the work force.

As a result, a situation has arisen in Chile in which links in a chain of capital have appeared between what are traditionally understood as formal and informal companies. Formal companies, for example, use homeworkers in the clothes industry; and this format is repeated in various sectors of the economy (agro-export industry, mining, forestry, and so forth). Although such arrangements already existed in the 1970s, they were without doubt far more widespread in the 1980s.

The new informality in Chile

In sum, then, a new process of informalization is under way, characterized by a change in the composition of the urban informal **sector**, and by the informalization of an important segment of capital/labour relations, as well as of relations within capital. In this sense, it can be said that informality has increased, but in a very different manner from that suggested by the traditional use of the concept of informality.

Drawing on the preceding analysis, we can make four additional assertions with respect to the advance of informality in Chile. First, **the mercantile form of informality (self-employed workers) did not increase, owing to the vigorous intervention of the authoritarian state in the labour market at times of deep economic crisis, using emergency work programmes to provide the otherwise unemployed with waged work.** These emergency programmes first appeared between 1974 and 1975, and in the period 1982-1983 employed more than half a million people. If that had not occurred, it is **possible** that

an autonomous mercantile informal sector would have emerged, of a kind not linked to the formal sector. In this case, there could have been a dual economy.

Second, **from the beginning of economic recovery in 1983, the recovery and expansion of small and medium firms has been accompanied by a new form of informality of a specifically capitalist nature.** The urban informal sector of the 1990s is different from that at the beginning of the 1980s, especially because of the increased weight of waged workers.

Third, until the beginning of the 1980s, the informal and formal sectors in Chile were related predominantly through the survival strategies of poor families, who produced and/or sold wage goods, or provided petty services. Currently, a **productive** relationship between the urban informal sector - in its widest sense - and the formal sector has emerged, based upon the kinds of production chains already mentioned. **Rather than differentiated systems, therefore, there is a single complex system which is highly segmented.** This is the case in numerous sectors of the Chilean economy, and particularly those related to export (Díaz, 1989).

Fourth, informality is often associated with the disorganization of a matrix of institutional power - the profound crisis of an economic system and, in particular, a crisis of state regulation. In this sense, the urban informal sector can constitute a permanent escape from efforts made by a crisis-ridden state to reinforce or reinstate institutionalization (a point made in De Soto, 1986). This is not, however, the case in Chile. **Informality at the end of the 1980s is an integral part of a new matrix of power, not an escape from it, and reflects the effective reorganization of a political and economic system.**

III. THE NEW TERTIARIZATION IN CHILE

The end of the old form of tertiarization

The growing tertiarization of employment in the Chilean economy was a recurring theme in economic literature from the 1970s to the middle of the 1980s. Between 1960 and 1973, tertiary employment rose from 41 to 46 per cent of total employment. The rate of growth became much more rapid in the first decade of dictatorship, when employment in this sector rose from 48 to 64 per cent of total employment.⁸

Developments during the decade 1973-1983 would appear, therefore, to reflect a structural tendency visible in the 1960s. Two arguments were put forward to explain this phenomenon. The first suggested that the tertiarization of employment was a function of the growth of production within the secondary or industrial sector (Ramos, 1984). The second depicted tertiarization as the product of two processes: first, and of lesser overall importance, the development of certain services typical of capitalist modernization (such as financial services); second, and more importantly, the growth of “spurious tertiarization” (Pinto, 1984) which involved hidden unemployment.⁹

⁸ Analysis of the period 1960-1985 is based on estimates from E. Jádresic, **Evolución del empleo y desempleo en Chile, 1970-85. Series anuales y trimestrales**, Colección Estudios CIEPLAN, (20), 1986. The projection for 1985-1990 is based on figures from the National Statistical Institute (INE).

⁹ These arguments were published in the **CEPAL Review** in December 1984. A critical résumé of the debate, as well as discussion of the empirical evidence, can be found in Gatica (1986).

The Chilean example would appear to correspond to this latter explanation. If, between 1970 and 1978, there was a certain correlation between tertiary employment and industrial output, it can be seen in the graph that from 1978 onwards there was a divergence between these tendencies. Such a trend is indicative of a large fall in the productivity of labour, reflecting disguised unemployment.

Looking at the stagnation and decline of Chilean industry, this process could be summed up as **tertiarization with deindustrialization** (Gatica, 1986), a process which took place not only during two recessions (1974-1975 and 1982-1983) but also during a period of recovery (1976-1981). This pattern of capitalist development during 1973-1983 was indicative of the growing autonomy of the tertiary from the primary and secondary sectors. And, in spite of the fact that rapid development of finance and foreign commerce generated an increased expansion of employment, the relative weight of these latter sectors in tertiary employment was very low.

Graph 4: Chile: Degree of tertiarisation

Source: Calculated with data from INE and BCCH.

(Graph not available in this version of the report)

The empirical evidence indicates that the principal source of employment in the tertiary sector at the time was of a “spurious” nature which came from the expansion of small informal commerce, emergency work programmes and the growth of private services of various types which acted as a refuge from the unemployment generated in productive services. This would appear to be the upshot both of a crisis in the old model of development (import-substituting industrialization) and the failure of the neo-liberal export model.

Years later, new evidence forces a change in the debate generated in during the 1980s. In effect, **during the economic recovery of 1983-1990, the process of tertiarization was reversed**. In those seven years, tertiary employment fell from 64 to 51 per cent of total employment.¹⁰

Statistics suggest that the current situation is not simply a reversal of the crisis of 1982-1983, but indicates a change in employment behaviour during economic recovery. This conclusion can be supported by comparing the periods 1976-1981 and 1983-1988. While between 1976 and 1981 tertiary employment increased its relative weight in the workforce from 52 to 57 per cent, between 1983 and 1988 that share fell from 64 to 51 per cent.

Such a change in the pattern of employment in the tertiary sector indicates modification of the dynamic of the economy as a whole, and of the relations between sectors. Does this mean the end of tertiarization? There is not sufficient evidence to sustain this argument. As will be noted later, it would be more appropriate to talk of a **new tertiarization**, determined by new dynamics which lead to a change in the structure of the sector.

¹⁰ These figures show tertiary employment with respect to total employment, and not to the economically active labour force, since unemployment would have distorted the analysis.

In fact, returning to the early debate over the nature of tertiarization in Chile, the new evidence would suggest that if the idea of “spurious tertiarization” was correct for 1974 to 1983, the appropriate argument for the post-1989 period, once the decline of spurious tertiary employment was complete, could be that of Ramos: a period may have begun in which the tertiarization of employment is governed by the demand of the industrial sector for labour.

Whether this is in fact the case could only be determined by analysing the course of change in the entire Chilean economy, which is well beyond the scope of this paper. It is, nevertheless, important to move at this time beyond any analysis of the tertiary sector as a single entity governed by certain similar economic “laws”. The category takes in all those activities which are not classifiable in the primary and secondary sectors (Gatica, 1986) and whose only homogeneity lies in not producing material goods.¹¹ Furthermore, this sector - if it has ever existed as such - has a highly segmented dynamic and is moved by factors of very different types. The analysis of the changes to the structure of tertiary employment would appear to bear this out.

Tertiary employment between 1983 and 1990

Tertiary employment may be analysed according to diverse criteria which are not theoretically neutral and always somewhat arbitrary. For the period 1970 to 1990, four groups have been identified: (i) “spurious” employment which includes emergency work programmes and informal tertiary employment (with reference to the argument of Pinto, 1984); (ii) employment in the public sector; (iii) financial sector employment; (iv) tertiary employment linked to the dynamics of the primary and secondary sector (a modified version of the approach suggested by Ramos, 1984) and to the modern non-financial tertiary sector.

The advantage of this classification is that it allows us to understand the very different factors which have influenced the course of change in each sub-sector, while maintaining some continuity with the kinds of analysis put forward in the early 1980s.

Decline of “spurious” tertiarization

According to Anibal Pinto (1984), “spurious” tertiarization includes disguised unemployment and diverse forms of informal low-productivity activities. To this must be added, in the Chilean case, the emergency work programmes developed by the government between 1974 and 1986. The term “spurious” is synonymous with something deformed or bastardized and implies a process which deviates from the “normal”. In this sense, the concept of spurious tertiary employment, although imaginative, is ambiguous and open to two possible interpretations. The first sees employment in low-productivity services as dysfunctional to an ideal-type economy, while the second sees it as a form of hypertrophy of “normal” historical tendencies - a phenomenon belonging to a period of crisis and transition from one regime of accumulation to another.

The first depiction is highly debatable. The repairmen, ice cream sellers, gas-fitters and electricians, as well as the street vendors who hawk products manufactured in large- and medium-sized formal sector companies, are all part of capitalist production and exchange. They are indispensable for assuring the material conditions of existence for high- medium- and low-income families. This being the case, there will **always** be a type of informal, “low

¹¹ This is not meant to suggest that the production of services is “unproductive”.

productivity” employment which expresses visible and invisible, unstable and precarious underemployment. It is not “spurious” by definition and even less is it dysfunctional.

The second approach, linking spurious tertiarization to the hypertrophy of low-productivity tertiary employment during a particular period of economic crisis and reorganization, predicts two possible outcomes. One is consolidation of the low-income tertiary sector as a phenomenon with its own dynamic and peculiar links with the rest of the economy. (This could have happened in Chile if the country had lived a period of prolonged stagnation without the recovery and expansion which followed 1983.) The other is its reduction or even disappearance, as the crisis passes and it gradually stops functioning as a refuge for those sections of the labour force not absorbed by other sectors of the economy (including the rest of the tertiary sector).

Statistical evidence for the Chilean case in the period 1983-1988 suggests the latter outcome: spurious tertiary employment came to an end in Chile, at least until the next recession or prolonged structural adjustment. This does not mean the disappearance of all hidden unemployment or underemployment but rather the elimination of a kind of tertiary employment which operated as a refuge for labour in a time of crisis and restructuring. It disappeared as the recovery of 1983-1989 and the post-1989 expansion took hold.

An approach at estimating this phenomenon is the following. Let us calculate the level of informal tertiary employment (ETI) plus population enrolled in emergency work programmes (PEE), as a percentage of the total economically active population of Chile (PEA) during 1970 and 1990. These years represent the extremes of the time period under consideration and can be considered normal years. The average of the figures for 1970 and 1990 (N^{70-90}) is 11 per cent.

Then let us calculate this same indicator (number of people registered in informal tertiary employment plus emergency work programmes, as a percentage of the totally economically active population of the country) during a various other years between 1970 and 1990. As is shown in the following table, this series (called M^i) peaks at 25 per cent in 1983.

If spurious tertiary unemployment, which we will call T^i , is defined as $M^i - N^{70-90}$, then it would seem that the former rose to 14 per cent in 1983, in the middle of the recession, and ended by almost disappearing in 1990.

Table 5: Estimation of spurious tertiary employment						
	1970	1976	1980	1983	1986	1990
PEA	2,909	3,182	3,636	3,768	4,270	4,729
PEE	0	158	191	503	221	0
ETI	321	359	485	433	481	546
PEE+ETI	321	517	676	936	702	546
M^i (%)	11	16	19	25	16	12
N^{70-90} (%)	11	11	11	11	11	11
T^i (%)	0	5	8	14	5	1

Source: National Statistical Institute of Chile (INE), National Employment Survey, fourth quarter of each year, with the exception of 1970, when figures refer to the third quarter.

In sum, then, what can one conclude concerning the causes of the expansion and contraction of low-productivity, low-income tertiary employment in Chile between 1970 and 1990? The possible explanatory factors can be grouped in three categories: **conjunctural**, which stem from the economic cycle; **long-term**, which stem from the rapid urbanization experienced by the country; and **structural**, related to the change in the regime of accumulation or economic development which shook the country during the first decade of the Pinochet dictatorship.

Turning first to the economic cycle, we would expect to see spurious tertiary employment consistently expanding and contracting in line with periods of recession and recovery. Although the low-income tertiary sector did contract during the 1983-1990 recovery, nothing similar occurred during the earlier recovery of 1975-1981. The vicissitudes of the economic cycle are thus not sufficient as an explanation of events.

The rhythm of metropolitan growth and urbanization does not provide a satisfactory explanation either. The available evidence indicates a decreasing tendency in the rate of urbanization between 1960 and 1990. The average annual rate of growth of the population in the Metropolitan Region fell from 3 per cent to 2.3 per cent between 1960-1970 and 1980-1990.

To understand the evolution of spurious tertiary employment in Chile, then, it is necessary to look at **the evolution of the concrete development strategy of the military government**. During the latter 1970s unemployment in the public sector and in industry advanced rapidly, despite economic growth, while more than half a million workers came to have a precarious job in emergency programmes (PEE), organized and badly paid by the state. In this way, the government managed to create a real “reserve army” which had by 1983 become even more important than the informal tertiary sector, and which would rapidly disappear in the 1983-1989 recovery. Let us look more carefully at various elements contributing to the evolution of tertiary employment - including spurious tertiary employment - between 1970 and 1990.

The fall in public employment

With the systematic implementation of neo-liberalism, public employment fell progressively from 1973 onwards. Between 1972 and 1990, the proportion of the total workforce accounted for by the public sector as a whole fell from 12 to 6 per cent. In absolute figures this meant a reduction from 360,000 to 280,000 employees.

If we look only at the evolution of public employment in the tertiary sector (excluding employment in public companies which, privatized or not, constitute part of the secondary or primary sector), and if we furthermore exclude public employment in financial institutions, we see a picture like the one presented in the following table (based upon available figures for the category in Chilean statistics denominated Central State Administration).

Tertiary public employment (non-financial) shows a persistent fall, in both absolute and relative terms. In absolute terms, the number of jobs declined 34 per cent between 1976 and 1990. In relative terms, public employment in the tertiary sector fell from 8.4 to 3.7 per cent of the gainfully employed population. The importance of public employees in the tertiary sector was reduced by slightly more than half.

Table 6: Employment in the non-financial public administrative sector (1976-1990)						
		1976	1980	1983	1986	1990
Central admin.	(000)	267	231	215	201	175
PEA	(000)	3,182	3,636	3,768	4,270	4,729
Tertiary emp.	(000)	1,597	1,948	2,122	2,267	2,474
Cent. admin./PEA	(%)	8.4	6.4	5.7	4.7	3.7
Cent. admin./tertiary emp.	(%)	16.7	11.9	10.1	8.9	7.1

Source: Government of Chile, Dotación de Personal, Ley de Presupuesto.

As the table well illustrates, this was an almost linear process which did not depend on the ups and downs of the economic cycle, but rather on the will and capacity of the military government to apply a neo-liberal project over a prolonged time period.

The expansion of the financial sector

The growth of employment in the financial sector began in the middle of the 1970s - precisely at the time when financial capital began to develop its own dynamic, distinct from that of productive capital. The expansion of employment in the financial sector is due to the fact that the accumulation of capital took place at a faster rate than the increase in labour productivity in that sector.

During the period 1976-1990, financial employment more than tripled. From being a sector of marginal importance in tertiary employment, it came to take on a growing social significance, as witnessed by the fact that it eventually surpassed mining as a source of employment in Chile. The following table provides figures for the period 1976-1990.

Table 7: Employment in financial services 1976-1990				
Year	Emp. Fin. Services (thousands)	As a percentage of:		
		PEA	Total emp.	Tertiary emp.
1976	63	2.0	2.3	3.9
1980	101	2.8	3.1	5.2
1983	110	2.9	3.4	5.2
1986	156	3.7	4.0	6.9
1990	203	4.3	4.6	8.2

Source: National Employment Survey (INE), fourth quarter.

It should be noted that after 1983, the financial sector diversified very quickly, leading to a fall in the relative weight of the banking sector. Between 1978 and 1990, the importance of the latter was reduced from 33 to 16 per cent of all employment in the financial services sector.

Productive services and the new tertiarization

Three sub-sectors can be grouped under the heading of productive services. First, those companies in the tertiary sector which depend upon the dynamics of growth and modernization in the agricultural and industrial sectors. This includes service industries in the business of repair and maintenance, those involved in foreign trade, and transport companies. Second, branches of modern commerce such as shopping centres, fast food restaurants, supermarkets, hotels and tourism in general. This commercial sub-sector creates and

sometimes controls long chains of economic activity which include sectors of transport and production - thus promoting change in production and processing technologies in many companies in the primary and secondary sector. Third, there are modern services such as the production of software, as well as services which are eminently necessary for the reproduction of capital (such as advertising). The fate of this sub-sector is not only dependent on industry but also upon a general demand which arises within many spheres of the economy.

The new character of tertiarization

Widening the analysis to take into account the last thirty years, we have an interesting picture of the evolution of the tertiary sector in Chile.

Table 8: Degree of tertiarization of the Chilean economy (per cent of employment and GNP)							
	1960	1966	1970	1975	1980	1985	1990
Employment	50	49	49	54	58	60	55
GNP	48	46	51	52	55	53	55

Source: INE, Central Bank. Figures for 1960, the World Bank.

From the previous table, several general conclusions can be drawn. First, during the 1960s there does not appear to have been a tertiarization of employment. Second, this process is concentrated in the years 1973-1983, which were years characterized by two major recessions and a forced structural transformation. Third, the reversal of this process occurred during 1983-1990, during a period marked by the recovery and then the expansion (post 1988) of the Chilean economy.

The balance for the period 1983-1990 would appear to show a process of “de-tertiarization” of employment. In reality, however, we might again do better to talk of a **new type of tertiarization**, of great importance in the economy, caused by an expansionary phase of capitalism and the consolidation of a new mode of capitalist regulation as well as a new form of organizing the economic system.

It is difficult to say whether the relative weight of tertiary employment will continue to fall over the coming years. There are, however, some tendencies which can be predicted with a reasonable degree of certainty: (i) public employment will not continue to fall, and it is probable that it will show a gradual recovery during the decade; (ii) financial employment will not grow further; (iii) informal tertiary employment will become more stable, unless there is a new recession which could lead to a resurgence of spurious tertiary employment. Given these tendencies, and on the assumption that economic growth continues, the evolution of the tertiary sector will chiefly be determined by the development of productive services.

IV. THE NEW SOCIAL CHARACTER OF POVERTY

The persistence of inequality

The social character of poverty changed during the 1980s in Chile. At the beginning of that decade, poverty manifested itself in unemployment, in informal employment such as street vending, and in emergency work programmes. By 1982, when almost a third of the

labour force was openly unemployed, a consensus in fact prevailed that anyone who did have work - especially in the formal sector, although wages there might be low - could be considered part of the middle-income strata or a relatively privileged sector of the poor.

From the second half of the 1980s, in the heat of economic recovery, the employment situation began to improve. The same was not, however, the case for real wages. By 1990, the rate of unemployment had fallen to 5.7 per cent, but average and minimum wages had not returned to their 1981 level and had grown further apart, indicating increasing wage differentiation.

The economic and occupational recovery of 1985-1990 was centred around export growth and based upon low wages, a high level of internal oligopsony, and a flexible labour market with severe restrictions on unions. This recovery was accompanied by - or perhaps consolidated - **a notable increase in social inequalities**. Although data limitations make it difficult to document what took place during that crucial decade, information provided by the National Statistical Institute (INE) is extremely revealing. In 1978, the richest 10 per cent of the population controlled 37 per cent of all national income. Ten years later, in 1988, the same decile received 47 per cent. It is obvious that the situation of the poorest 50 per cent had to get worse. In 1978, 20 per cent of the national income went to this sector, while in 1988 the figure had fallen to 17 per cent.

An evaluation of the period 1978-1988 thus suggests a deterioration in the incomes of the poorest sectors. During this time, the official number of **extremely poor** rose from 12 to 15 per cent of the national population, while the percentage of families officially considered to be **poor** rose from 24 to 26 per cent. A pertinent indicator in this respect is the daily caloric consumption of the poorest 40 per cent of the population, which fell 7 per cent over the years under consideration. By 1990, the national household survey conducted by the new government found 5.2 million Chileans living in poverty, which corresponded to 40.1 per cent of the total population of the country (CASEN, 1990).

Following the installation in 1990 of a democratic government, in circumstances of clear economic recovery, there has been a significant improvement in working conditions and wages. Between 1990 and 1992, the rate of unemployment fell from 5.7 per cent to 4.7 per cent - the lowest since 1971. At the same time, three developments have favoured a progressive increase in workers' incomes. First, there has been a tightening in labour markets which has favoured a gradual rise in wages, although not a fall in wage differentiation.¹² In this context, it is worth pointing out that there has also been an increase in hours worked per week, from an average of 48.5 in 1990 to 50.5 in 1992. Second, the number and membership of trade unions has grown. Between 1990 and 1992 union membership doubled, covering 22 per cent of waged workers directly, but favouring indirectly around 35 per cent, who received the benefits of collective negotiations and agreements. Third, the rate of inflation has been substantially reduced from 27.3 per cent in 1990 to 12.7 per cent in 1992. Given that wage adjustments are based on past inflation, this also favours a rise in workers' incomes.

Thus average real wages have grown at a moderate but sustained rate, outstripping their 1981 levels in 1992. As a result of this process, as well as the increase in social spending - which in Chile is effectively targeted toward low-income sectors - government

¹² The growth of the average wage, in relation to the minimum wage, in fact illustrates increasing differentiation in the wage structure of Chile.

estimates suggest that the number of people in poverty has dropped from 5.2 to 4.5 million (or 33.5 per cent of the total population). In this case, 700,000 people may have abandoned their condition of poverty over the past few years.

Nevertheless, in spite of the increase in the real incomes of workers and of the poorest 40 per cent of the population, there has been no significant change in the distribution of national and personal income. The share of national income attributable to wages in fact fell between 1990-1992; and the richest 10 per cent of all Chileans continues to receive around 45 per cent of the total. There has not been any significant change in the distribution of national income by quintiles.

The figures just mentioned would suggest that **while the number of people in Chile living in poverty is declining, the degree of inequality is not**. How can we explain this apparent paradox?

One of the most obvious explanations is that average productivity has grown faster than average wages, which are earned by two thirds of the employed. For the three-yearly period 1990-1992, for example, the productivity/wage relation grew by 1.7 per cent. Although not the subject of this paper, there is therefore a clear need to analyse in greater detail the structural and institutional characteristics of the model of development which, until 1992, has continued to reproduce inequality - even though efforts are made to offset such a trend through an increase in social spending.

Informality and poverty

Official estimates for 1992 suggest that of the third of the labour force living in conditions of poverty, 20 per cent live in rural areas - a proportion similar to the weight of these areas in the population as a whole. This means that the vast majority of the poor in Chile are to be found in urban areas.

Of the total poor in 1992, about 10 per cent were unemployed. If we add to this percentage those who live in areas which have been isolated or marginalized from the dynamic of growth (areas of structural decline), it can be estimated that **poverty caused by marginality is around a third of the total work force living in poverty**. This means that two thirds of the labour force living in poverty cannot be explained by marginality. Such a situation constitutes one of the great changes with respect to the period 1975-1983, when the vast majority of the poor were either unemployed or participating in emergency work programmes.

New evidence from the household survey of 1990 (CAsEN) reinforces the view that “informality” or “marginality” is no longer a good indicator of poverty in Chile. While those employed in formal occupations earn on average some 27 per cent more than those in informal occupations, 45 per cent of informal employment is located in the two highest income quintiles. Many jobs and professions in the informal sector are highly productive (and earn high incomes), and informality is not synonymous with backwardness and/or low productivity. Clearly, **informality and poverty are not the same thing**.

At the same time, **many of those who are formally employed are poor**. Forty-one per cent of the two lowest income quintiles analysed in the 1990 household survey are associated with formal urban employment, 25 per cent are engaged in informal urban

employment and the rest are categorized under headings of agricultural employment or domestic service. This illustrates the fact that having a formal occupation does not necessarily imply escaping from poverty. Indeed the ranks of the poor are made up to a great extent of people who would usually be considered the formally employed.

Precarious waged employment

Precarious waged employment constitutes the single most important element of poverty in present-day Chile. Such work may be associated with some type of contractual arrangement, or it may not. There is a sector of waged workers who do not have a formal contract, and whose numbers are difficult to estimate. According to the CASEN survey, about 17 per cent of the waged labour force in 1990 had no contract, while according to the Labour Studies Programme (PET) the figure is around 30 per cent. At any rate, it is clear that a significant minority of workers and staff have an informal wage situation, although this proportion shows a tendency to diminish over time. Simultaneously, however, a large proportion of those who do have a temporary or permanent contract are also subject to a precarious situation in their employment, encouraged by the current labour law, which allows a high level of flexibility in the use of the labour force by employers.

This precariousness is manifested in low levels of job stability, dependence upon income from piecework, poor working conditions, rigid specialization at work (which comes close to a neo-Taylorist form of organization), little access to training, few possibilities for internal mobility in the company, impediments to collective negotiation, low levels of participation and, sometimes, subjection to authoritarian relations in the workplace.

Precarious employment is not an anomaly of the market, nor does it derive from an “atypical” situation in certain small or traditional companies. The evidence from dozens of studies carried out in firms between 1988 and 1992¹³ shows that precarious employment exists not only in the small firm but also in the majority of medium firms and, to a certain extent, survives as well in large private companies. Small companies, like the tens of thousands of small sub-contracting firms which are now closely linked to more dynamic sectors of the Chilean economy, are not necessarily backward; and far from constituting a traditional or backward form of business behaviour, precarious employment arises precisely from the style of capitalist modernization which has taken place in Chile over the past few decades.

As already noted, precarious employment is assured by labour legislation and by forms of official regulation of labour markets promoted by the dictatorship to ensure that firms could use labour flexibly. Recent reforms have not substantially modified the situation. At the same time, large companies have abandoned previous labour practices, which rested upon strategies to fix and stabilise the labour force, in favour of a flexible approach involving the sub-contracting of many activities which were previously carried out within the company - particularly in large-scale mining and industry.¹⁴ Furthermore, in the Central Valley, the traditional large landholding (latifundio) has been replaced over a number of decades by a multitude of medium and small agricultural producers sub-contracted to large trading companies. In the South, the latifundios of the forestry sector which belong to large

¹³ Studies carried out by PREALC, CEPAL, SUR, PET, CED and CIEPLAN, Santiago de Chile.

¹⁴ See Mardonez, Martínez and Sierra, **Los servicios al productor: Un análisis para el caso del cobre en Chile**, CEPAL document, March 1991.

companies are not directly exploited by these companies but rather by sub-contracted firms; and a similar situation prevails in the fishing industry.

In general terms, the large company controls a chain of small- and medium-sized sub-contracted and/or supply companies of various types, which tend to situate themselves in small or medium urban centres at strategic points, ensuring economies of scale and access to good road transport.¹⁵ Labour markets within the chain become sharply segmented. Workers who belong to the **nucleus** of the company, with stable employment, tend to be men who work full-time, are permanent and have a legal contract. Workers on the **periphery**, who have short-term contracts or work part time, are more often likely to be women. This is low-skilled work and there is an abundant supply of applicants in the labour market. Third, there are **external** workers who are hired by mining and forestry properties or by sub-contracting companies.

Precarious employment and economic expansion

Precarious employment rests upon an unstable and informal relation between labour and capital which varies according to the phase of the economic cycle and the degree of division of labour between companies. In the areas and sectors which experience periods of expansion, with a consequent increase in the demand for labour, precarious employment does not necessarily decline in favour of more stable alternatives. Rather **there is a change in the internal composition of precarious employment**. The proportion of workers with sporadic employment, followed by unemployment, during certain times of year falls, and the number of workers who can find employment throughout the year - on several jobs or through a number of temporary contracts - increases (León, 1991). The individual is no longer limited to sporadic work in one company, but finds more regular work based on short-term contracts with various companies, or engages in different jobs (implying different working conditions) within the same company.

The situation in construction is very revealing in this respect. Employment in the sector is procyclical, but companies do not risk increasing the staff on a permanent contract when the economic picture improves. They have become accustomed to the advantages of flexibility provided by accumulated changes in the regulation of the labour market and processes of rationalization which began in the 1970s (Montero, 1988).

A recent study draws attention to a similar tendency in the case of agriculture in the Central Valley, where a period of expansion and diversification of the productive structure implies **attenuating** the seasonal demand for labour. This means that even agricultural workers with temporary contracts must constantly shift jobs, and that the line between this work force and what is usually defined as occasional labour is very difficult to draw. In fact, the total number of agricultural labourers in Chile has probably been grossly overestimated, as a single person engaging in contract and occasional work might well have been counted several times. Employment surveys conducted by the National Statistical Institute would seem to confirm such fears, since seasonal differences for agricultural employment do not exceed 50,000, while claims are made for the existence of 400,000 temporary farm workers in Chile (León, 1991).

¹⁵ Between 1980 and 1990 employment in the transport sector grew by 47 per cent, while the number of transport employers quadrupled.

In conclusion, then, poverty is no longer simply expressed in terms of unemployment and marginality, but is reproduced in new ways and among wide strata of workers. **This places limits on strategies or policies for the redistribution of income which concentrate their efforts on the informal sector or the very small company. The conditions for equality cannot now be constructed on an increased, focalized social 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. All of these are decisive elements in any attempt to ensure a new treatment for labour, within a new context of development and democracy, in the small open economy of Chile.

BIBLIOGRAPHY

CASEN (1990)

Encuesta de Caracterización Socioeconómica Nacional, 1990 survey, Ministerio de Planificación y Cooperación, Government of Chile.

De Soto, H. (1986)

El otro sendero, Bogotá: Editorial La Oveja Negra.

Díaz, A. (1989)

“Régimen de empresa y modernización autoritaria en Chile”, **Revista Propositiones** (17).

Espinoza, V. (1992)

Networks of Informal Economy: Work and Community among Santiago's Poor, Doctoral thesis, Department of Sociology, University of Toronto.

García, N. and V. Tokman (1984)

“Transformación ocupacional y crisis”, **Revista de la CEPAL** (24), December.

Gatica, J. (1986)

La evolución del empleo formal e informal en el sector servicios latinoamericano. Santiago de Chile: Documento de trabajo de PREALC, No. 279.

Leon, F. (1991)

El empleo temporal en la agricultura chilena 1976-1990: Síntesis y conclusiones, Documento de trabajo CELADE-OPS, April.

Martínez, J. and A. Leon (1987)

Clases y estratificaciones sociales: Investigaciones sobre la estructura social chilena, 1970-1983, Santiago de Chile: CED-SUR.

Mathias, G. and P. Salma (1986)

O estado superdesenvolvido das metrópoles ao Terceiro Mundo, Sao Paulo: Brasiliense.

Montero, C. (1988)

La industria de la construcción en Chile y Argentina, report for CNRS-ORSTOM, Paris.

Pinto, A. (1969)

Tres ensayos sobre Chile y América Latina, Santiago de Chile: Ediciones Solar.

____ (1984)

“Metropolización y terciarización: Malformaciones estructurales en el desarrollo latinoamericano”, **Revista de la CEPAL** (24), December.

____ (1989)

Notas sobre la industrialización y el progreso técnico en la perspectiva Prebisch-CEPAL, Santiago de Chile, mimeo.

Portes, A., M. Castells, and G. Benton (1989)

The Informal Economy: Studies in Advanced and Less Developed Countries, Baltimore and London: Johns Hopkins University Press.

PREALC (1987)

La caída del empleo manufacturero: Chile, 1979-1983, Santiago de Chile: Documento de trabajo de PREALC, No. 298.

_____ (1991a)

Urbanización y sector informal en América Latina, Santiago de Chile: PREALC.

_____ (1991b)

Empleos de emergencia, Santiago de Chile: PRELAC.

Ramos, J. (1984)

“Segmentación del mercado de capital y empleo”, **Trimestre Económico** (202), April-June.

Tironi, E. and J. Martinez (1983)

Clase obrera y modelo económico: Un estudio del peso y la estructura del proletariado en Chile, 1960-1980, Documento de trabajo SUR, No. 15.

Tokman, V. (1978)

Tecnología para el sector informal urbano. Santiago de Chile: Documento ocasional PREALC, No. 19.