

# Training Policy and the Property Rights of Labour in Chile (1990–1997): Social Citizenship in the Atomised Market Regime\*

LOUISE HAAGH

*Abstract.* This article argues that the training and employment policies of Chile's transition governments since 1990 have failed significantly to promote the development of human resources and occupational citizenship, and identifies key structural and political causes. In particular, the weak development of the property rights of labour and of markets in skill are seen as enduring economic and institutional legacies of the period of dictatorship which continue to constrain key areas of economic development as well as social citizenship rights. The article advocates an analysis of citizenship and skill development that identifies the problem of institutional coordination between a range of different services in labour markets. It suggests that the social organisation of skill markets in Chile systematically discriminates against long-term investments in workers. Hence, even in Chile where economic reformers have sought to maximise markets, decisions on skill investments are, to an important degree, conditioned by power relations and organisational inertia inside individual firms and, at the aggregate level, by the selective channelling of information and the (unplanned) institutional structuring of training supply.

Labour studies in Latin America in recent years have focused in the main on changes to legal codes, and particularly on the de-centralisation of collective bargaining.<sup>1</sup> The perceived need to restore labour rights in the immediate wake of dictatorship, and the parallel move towards the de-regulation of labour market institutions and of social services have concentrated the attention of scholars on this particular field. But other

Louise Haagh is Post-Doctoral Research Fellow at St. Antony's College, University of Oxford.

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<sup>1</sup> On Chile, see for example, M. Barrera, '*La negociación colectiva en Chile: Una descentralización excesiva*', *Materiales de discusión, Centro de Estudios Sociales* (Santiago, 1994); and on the continent, G. Campero *et al.*, *El sindicalismo latinoamericano en los 90* (Santiago, 1991).

<sup>2</sup> Recent reviews include B. P. Bosworth *et al.*, *The Chilean Economy – Policy Lessons and Challenges* (Washington, 1993) and C. Scott, 'The Distributive Impact of The New Economic Model in Chile', unpublished paper, London School of Economics, 1995.

areas of labour reform need to enter the analysis if we are to understand the intricate issues involved for policy-makers in accommodating the enhanced role of the private sector, on the one hand, and the need to protect and re-define social citizenship, on the other. It is argued here that the issues at stake in reforming the training system in Chile epitomise the new and more multifarious struggle over social citizenship following the flexibilisation of labour markets. Moreover, the attempts at reform indicate the difficulty of inserting within a deregulated service system the complex networks of labour contracts demanded by the development of human resources. Above all, they illustrate the important areas of affinity that exist between particular citizenship rights and efficiency concerns in the area of the development of human resources – areas which have to do with the development of *workers'* property rights as well as with the building of sophisticated institutional linkages between a range of services in labour markets. This paper concentrates on the first seven years of the restored democratic regime, from 1990 to 1997, although developments of the last years of military rule (1973–89) will also be covered.

The radical liberalisation and de-regulation programmes of the Pinochet government are widely recognised, from the rapid opening of the economy and de-regulation of the banking system in the 1970s, to a massive privatisation programme affecting over 500 enterprises over the full period (1973–90), and moreover including the suppression of interest organisations, and the orientation of social insurance towards privately administered wage-based accounts.<sup>2</sup> Occupational policies afforded the transition government with an opportunity to redress some of the negative aspects of this process of market extension. First, their relevance as *public* concerns tends to increase when, as in Chile, long-term employment and skill development at the firm-level are weak. Secondly, a set of inter-locking institutional changes in labour markets had underlined the relevance of focusing on workers' occupational status within the broader context of *citizenship* rights. These changes included the long-term decline in unionisation (down from average levels of 30 per cent before the coup to 13 per cent in the mid-1990s), the collapse of a number of legal distinctions between workers, and the trend towards the generalised informalisation of formal work.<sup>3</sup> Moreover, the labour

<sup>3</sup> Legal distinctions between blue- and white-collar workers were abandoned in the 1970s, and social security ceased to be organised around specific labour sectors.

<sup>4</sup> A unity which political dissent from the Communist and later Socialist Party leaders in the national organisation the *Central Unitaria de Trabajadores* (henceforth CUT) did not undermine. On political developments in the labour movement of the 1980s, see A. Angell, 'Unions and Workers in Chile during the 1980s', in P. W. Drake & I. Jaksic (eds.), *The Struggle for Democracy in Chile: 1982–1990* (London, 1991). See also, J. S. Valenzuela, 'Labour Movements in Transitions to Democracy: A Framework for

movement, despite its numerical weakness, had united around the steady building of broadly inclusive occupational rights.<sup>4</sup> The small size of the state administration inherited in 1990 was an aid to policy-reformers, whereas a multitude of private service providers had become consolidated in the training market. Still, these facilitating conditions were perhaps overshadowed by the barriers that existed to the development of a truly reformist occupational policy. For example, the shrinking of the public sector's development planning machinery and the weak institutional ties with the private sector increased political constraints, such as fear of the new democratic governments of de-stabilising the economy by commencing reforms resisted by the business sector. Between 1990 and 1993 four minimum wage accords were signed between the government, the CPC, and the CUT, essentially to establish mutual recognition during a sensitive period.<sup>5</sup> Their substance, however, declined over time, as the business sector continued to see practical policies on training and related issues as a dilution of the pure market model. Together these factors reinforce our reasons to consider the formation of occupational policies as a conflict involving the re-definition of citizenship rights.

Part one of the article introduces the link between training policy and social citizenship in general terms. Underlining the controversy over labour flexibility are different conceptions of the importance of institutional mediation, which are examined. It then explores the affinities of the notion of occupational citizenship with issues of empowerment, on the one hand, and with the policies and institutions associated with the efficiency of training markets, on the other, noting methodological flaws in the official development literature which inhibit the application of institutional analysis. In part two, the alternatives for reform in the

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Analysis', Kellogg Institute for International Studies Working Paper, No. 104 (Notre Dame, 1988); and J. S. Valenzuela and V. Frank, 'The Labor Movement and the Return to Democratic Government in Chile', *Latin American Labor News*, No. 5, 1992.

<sup>5</sup> The business sector to which I refer below is the large entrepreneurs that are represented in the *Confederación de la Producción y el Comercio* (henceforth CPC), a grouping that has been dominant in influencing policy-making. But it should be noted that the exclusion of the sector of small and medium-sized firms (concentrating some 75 per cent of employment in Chile) has contributed to the predominance of neo-liberal views in the CPC. On the CPC and CUT in this period, see L. Haagh, 'Re-Democratisation, Labour Relations and the Development of Human Resources in Chile' unpubl. D.Phil diss. University of Oxford, chs. two and three. See also, E. Epstein, 'Labor and Political Stability in the New Chilean Democracy: Three Illusions', Paper presented at the International Congress of the Latin American Studies Association, Los Angeles, September 24–26, 1992.

<sup>6</sup> Below the Chilean name *Concertación* will be used for the coalition governments of Aylwin and Frei. The *Concertación* alliance, led by the Christian Democrat and Socialist Parties, was formed in 1988 between 16 parties to contest the plebiscite held that year.

Chilean case are introduced. The employment legacies and the market failures which affected the training system are considered, as well as some systemic lessons from a case advocated in Chile, namely the German, a comparison which puts the key political controversies in Chile in perspective. It is argued that the *Concertación*, despite the high profile which it accorded to training policy in its programme, did not have the autonomy to make institutional changes of real significance, or to modify existing arrangements in the private sector. In this light, in part three, the most important of the Aylwin and Frei governments' training and related reforms are reviewed, including proposals for unemployment benefit insurance.<sup>6</sup>

### *Social citizenship and Labour Institutions*

#### *Labour flexibility – the core controversies*

There is broad agreement that flexibility in the usage of human resources is important to competitive advantage. But views differ as to the inter-relationships between different areas (labour costs, forms of contract, work organisation, mobility between jobs, education and training, and forms of social security that the state no longer provides). The role played by de-regulation has been at the heart of the division, leading to a debate that is ideologically charged and lacking in precision. To move the debate forward, it is important to distinguish de-regulation, understood as an overall *model* for the restructuring of the state and state-regulated economic institutions, from the critical analysis of specific institutional changes. The first is the 'Nirvana approach' which, as Demsetz has aptly put it, 'presents the relevant choice as between an ideal norm [the pure market regime] and an existent "imperfect" institutional arrangement'.<sup>7</sup> In fact, privatisation of the provision of social services (training, health care insurance etc.) in Chile is not the same as atomisation of bargaining, which again is different from the de-centralisation of policy coordination or execution (poverty relief, technology policy). It may, therefore, be more helpful to think of the present controversy in terms of the extent and nature of institutional linkages in labour markets.

The neo-classical development position does not deny that the development of human resources is crucial. However, it contends that

<sup>7</sup> Cited in T. Eggertson, *Economic Behaviour and Institutions* (Cambridge, 1990), p. 21.

<sup>8</sup> F. A. Hayek, *1980s Unemployment and the Unions* (London, 1980), pp. 18, 56; A. O. Krueger, *Trade and Employment in Developing Countries*, vol. 3. (Chicago, 1983), pp. 25–7, 186–7; World Bank, *Skills for Productivity* (Oxford, 1993), pp. 39–40. Consider the World Bank's almost exclusive focus on primary education in acceptable 'interventionist' forms of skill formation (*World Development Report*, Oxford, 1997, p. 52).

adequate investment will flow as a natural consequence of unhindered markets.<sup>8</sup> Flexibility is seen as a short-term phenomenon which is optimised by the displacement of risks onto individual agents (employers inside the construct of the firm).<sup>9</sup> Its main weakness therefore lies in seeing the different elements of flexibility as essentially *separate*, in disregarding the independent role played by institutions as well as the factor of time.<sup>10</sup> For comparative institutionalists, on the other hand, the key challenge consists in understanding what kinds of contracts and institutional links diminish the potential *trade-off* that exists within the radical market regime between short-term flexibility and human development, for example in contemplating ‘*relational contracting*’, which takes the complexities of modern society, ‘*the entire relation as it has developed [through] time*’ into account.<sup>11</sup> Efficient flexibility can be defined as that which allows a maximum scope for short-term flexibility whilst *at the same time* protecting the development of human resources.

Of particular relevance to this are the forms of contract that protect workers’ property rights. ‘Property rights of labour’ may be realised in the firm (for example, as in many Japanese and some US companies) and in this case refer to *de facto* employment stability.<sup>12</sup> Our usage of the term, however, shall be linked to the effective supra-firm protection of workers’ investment (in time, in training, etc.) in gaining professional competence.<sup>13</sup> Such protection may increase internal flexibility by loosening the

<sup>9</sup> ‘Classical contracting’ favours escape clauses, limited commitments and short-term relationships... ‘to cause to be perceived or realised *at present*’. Macneil (1978, p. 863, n. 25,890), cited in A. O. Williamson, *The Economic Institutions of Capitalism* (New York, 1985), p. 69.

<sup>10</sup> This includes neo-classical theorists in the human capital stream of literature. Schultz, for example, dismisses the approach in which ‘institutions are treated as an exogenous variable in the sense that they are altered by political acts, including legal decisions, independent of the process of economic growth’. T. W. Schultz, *The Economics of Being Poor* (Cambridge, 1993), p. 244.

<sup>11</sup> Williamson, *The Economic Institutions...*, p. 72.

<sup>12</sup> Following Pagano’s discussion in U. Pagano, ‘Property Rights, Asset Specificity and the Division of Labour Under Alternative Capitalist Relations’, *Cambridge Journal of Economics*, No. 15.

<sup>13</sup> When speaking of human resources and assets, it seems reasonable to add the developmental factor (and hence also the factor of time) to the standard definition of property rights (quoted from T. Eggertson, *Economic Behaviour*, pp. 33, 38) as ‘the right of individuals to use resources’, and specifically to ‘use, to earn income from, and to exchange assets’. Continuity of these specific rights implies sustainability (reproduction) of the human asset, and at any one time control over its development.

<sup>14</sup> And hence they may increase the prospects for the democratisation of firms. Hirschman appreciated the importance of exit rights to voice. A. O. Hirschman, *Exit, Voice and Loyalty* (Cambridge, 1970), pp. 82–6. Some links between between-firm and in-firm aspects of occupational citizenship are summarised in Table A 1 in the Appendix. The concept of occupational citizenship is discussed below.

link between wage flexibility and income security. On the other hand efficient flexibility may also be enhanced (at the systemic level), as the way in which firms demand (for example make use of public resources for training) will be influenced by the nature of labour's trans-firm property rights. As workers gain real rights of exit (through measures such as access to job-relocation), the voicing of demands, such as for training, becomes less costly.<sup>14</sup> External accreditation lifts the individual's authority in the firm. Moreover, rights of exit may reduce conflicts over dismissals. For firms, on the other hand, external accreditation of skills makes it easier to find workers of comparable standards. Hence the development of institutional links in skill markets may lower the transaction costs associated with a short-term economic adjustment. At the same time, the empowerment of individuals *vis-à-vis* firms increases the chances that mobility levels become compatible with the development of human resources (embodied in individuals). Regimes of efficient flexibility, however, do not come about through a process of natural selection as, for example, the general theory of Transaction Cost Economics suggests that efficient forms of contract emerge.<sup>15</sup> Instead, social and institutional factors are likely to shape, and even to systematically impede, their development. In this sense, Transaction Cost Economics is inadequate as a theory of institutional change. Apart from the classical problem of collective action – how individuals come together to effect the macro-institutional change that is ultimately in their interest – the implied change in labour relations may, as in Chile, engender political and social opposition to institutional change.

Inter-firm flexibility was certainly a priority which the transition government and business in Chile shared.<sup>16</sup> Moreover, despite the former's greater sensitivity to the systemic dimension,<sup>17</sup> there was agreement over decentralising and delinking further the execution of public policy programmes, and it was here that concerns with efficient flexibility and with citizenship met. Indeed, general changes in labour markets since the 1970s had underlined the problem of providing a long-term context for the development of the individual in the employment sphere. We know that the enhanced importance of skills makes unregulated mobility

<sup>15</sup> Consult the discussion in Williamson, *The Economic Institution*, Chapter nine.

<sup>16</sup> Ministers of Labour and Government under the Aylwin Administration, interviewed in 1992, René Cortazar (Santiago, 25 September 1992) and Enrique Correa (Santiago, 4 September 1992), stressed the ability to 'move people across sectors and occupations', and entrepreneurs their concern to maintain inter-firm flexibility under a democratic regime. '*Encuentro nacional de la empresa*', CPC-ICARE (1989), pp. 69–70.

<sup>17</sup> Starting with the (failed) attempt, in 1990, to increase the range of issues that unions could legally bargain on.

onerous due to the idiosyncratic nature of skill investments, and turnover in Chilean manufacturing companies is generally found to be high.<sup>18</sup> A regime of low employment security had been affirmed in the amended code,<sup>19</sup> and labour's capacity to formalise work contracts and increase access to training 'from below' had only diminished. Instead, short-term and individual contracting as well as parallel bargaining in the firm had been promoted with the 1979 legal reform. In the survey cited above, 117 out of 302 unions had chosen to sign a convention (a legally weak agreement that could be signed by unions or the loser 'bargaining groups'), and 34 of these stated that this form of contract had been imposed.<sup>20</sup> In a context where social security purchase is tied to the permanence of work, problems of long-term exclusion from labour markets united with these pressures in work to increase the burden of risk that active and inactive labour market participants faced.<sup>21</sup> Together they have rendered the effective access to the means of occupational continuity and development of immediate importance. *Occupational citizenship* is understood as the acknowledgement of this fact within the regimes that regulate the labour markets as well as the provision of a form of continuous membership of this market and markets.

*Occupational citizenship and individual freedom*

The term citizenship broadly covers an individual's rights and duties in relation to society as defined by the state. We might say that the notion of *occupational citizenship* restores the classical association of social and

<sup>18</sup> In a sample of 300 manufacturing firms obtained from Chile's National Statistics Institute (henceforth INE), the size of the workforce between 1988 and 1989 varied on average by 19.4 per cent, but a union survey of the same firms found the average difference between the lowest and highest recorded number of workers (between 1990 and 1992) to be 31 per cent. See L. Haagh 'Re-Democratisation', pp. 204, 238. The union survey sample is presented in Table A 2 in the Appendix.

<sup>19</sup> It is interesting to note that whereas the 'necessities of the firm' clause of law No. 19,010 (Article Three) of 1991 arguably amounted to the continuation of discretionary dismissal, the ostensibly 'liberal' firing laws passed in South Korea in 1997 required, among other things, that employers should 'make prior efforts to avoid dismissal of workers and conduct sincere consultation with trade unions and workers' representatives'. Memo, 'Revised Labor-Related Laws', Ministry of Labour, Republic of Korea (1997), p. 5.

<sup>20</sup> The 1991 reform failed to change this aspect. See L. Haagh, 'Re-Democratisation...', pp. 147–53, for legal aspects of precarious work contracts.

<sup>21</sup> By 1994, private pension funds had 3.7 million members of a labour force of 5.6 million, with overall coverage down by some 20 per cent since the 1970s. The burden of social security and risk-taking that falls on wage earners is seen in the fall of nonwage costs to employers, from 40 per cent in the early 1970s to three per cent two decades later. A. Díaz, 'Chile: Neo-Liberal Policy, Socio-Economic Reorganisation, and Urban Labor Market', in *Global Restructuring, Employment, and Social Inequality in Urban Latin America*, Tardanico *et al.*, (Miami, 1997), p. 171.



economic status with citizenship.<sup>22</sup> But rather than excluding those without property or ‘office’, as the Greeks and the European states of the nineteenth century did, the modern idea behind occupational citizenship is to extend the means of ‘office’, or professional membership of society, interpreted liberally, to all.<sup>23</sup> The abhorrence of passive assistance has cut across different traditions of social thought, from Malthus who accepted universal and compulsory schooling as a means to thwart the expectation of state dependence (as did Mill, although on more libertarian grounds),<sup>24</sup> to the English Fabians, who on similar grounds called for compulsory measures to integrate the poor through education, labour exchanges and minimum wages.<sup>25</sup> In a fuller sense, the concept of occupational citizenship resides in modern socialist notions of individual freedom as developmental freedom, the retainment of the right of individuals to continuous development of their human capacities.<sup>26</sup> The individual must retain the ‘capacity for choice itself’.<sup>27</sup> Meanwhile, in theories of development, the conception of developmental liberty has, at least until recently, been subordinate to considerations of man as consumer of utilities. Social exclusion has been associated with wants in the latter area (hence the concern with ‘basic needs’) rather than the former.<sup>28</sup> Moreover, modifications to this paradigm of passive assistance are still confined largely to the philosophical realm, such as in Sen’s emphasis on ‘entitlements’ and ‘the capability to achieve functionings’ as an aspect of ‘well-being freedom’.<sup>29</sup> The notion of occupational citizenship captures this social aspect of the problem of individual development, but emphasizes the specific institutional problem of continuity in productive existence.

Finding the institutional means of occupational citizenship, is, indeed, a complex affair. Although concerned with citizenship the economic

<sup>22</sup> H. Laski, *The Rise of European Liberalism* (London, 1936), pp. 97–101, 146–9. R. Scruton, *A Dictionary of Political Thought* (London, 1982, p. 64) associates philosophical foundations of citizenship (at least since Aristotle) with the ability to ‘hold office’.

<sup>23</sup> In Denmark, for example, it was not until 1907 that unemployment benefit became severed from political citizenship.

<sup>24</sup> On Malthusians, see J. Donzelot, *The Policing of Families* (London, 1977) pp. 73–4. J. S. Mill, *On Liberty* (Suffolk, 1982 [1859]), p. 176.

<sup>25</sup> S. Garon, *Molding Japanese Minds* (New Jersey, 1997), p. 44.

<sup>26</sup> C. B. Macpherson, *Democratic Theory*, p. 51, pp. 97, 119.

<sup>27</sup> R. Archer, *Economic Democracy*, p. 25, and pp. 16–17, 19–22. See also A. Sen, *Markets and Freedoms*, DEP Papers, No. 31, London School of Economics (1991), pp. 11–15.

<sup>28</sup> See A. Dasgupta, *An Inquiry into Well-Being and Destitution* (1993) on the basic needs approach.

<sup>29</sup> A. Sen, *Inequality Reexamined* (Oxford, 1992), pp. 40–1, 110–11; and *What’s the Point of a Development Strategy?*, DERP Papers No. 3, London School of Economics (1997), abstract.



democracy literature has left undefined what kind of occupational rights and duties individuals would have outside the firm.<sup>30</sup> The element of voice control within this entity is important, for example for the policing of (tax) incentives for workers training. But the importance of the external means of mobility to developmental freedom also remains of the essence a judgement that appears to be supported by the sentiments expressed by local union leaders in Chile, when asked what the term modernisation meant to them.<sup>31</sup> The means of external mobility depend on the nature of labour's property rights, as specified earlier, and the roles of citizenship in this context lies in the establishment of a generalised system that protects such rights and hence the sustainability of the individual's links with the labour market. Meanwhile, a typical instrument in this regard is the setting and enforcement of broadly recognised, tradable training and education standards. Again, however, this requires that such standards be mainstream and basically equitable however numerous the occupational streams. Moreover, the issue of labour's property rights raises the question of how far 'demand-based' public policies should concentrate public resources on subsidising individuals as consumers in the training market. Here it is suggested that the 'density' of occupational citizenship depends on at least the three following factors: (i) its protection in the form of statutory rights, (ii) its effective coverage, and (iii) the degree to which public institutions (the state, business and labour organisations) recognise and support it through time. Other aspects of occupational citizenship that affect labour's property rights include social insurance in the event of job change or incapacity, and in some cases regional social policies that take account for economic development opportunities, including the existence of mechanisms to move between (labour) markets.

*Occupational citizenship and the development of human resources*

In theory, occupational citizenship has efficiency ramifications for the likely quantity of skill investments as well as for the link between these and efficient flexibility, and this has to do with the long-term and

<sup>30</sup> For recent expositions of the self-management perspective, see R. Archer, *Economic Democracy*, and S. Bowles *et al.*, 'Is the Demand for Workplace Democracy Redundant...?' in *Democracy and Efficiency in the Enterprise*, U. Pagano *et al.* (Canada, 1996).

<sup>31</sup> 'For me it ought to mean raising our standards. In the sense of taking advantage of the new technology that arrives, and making provision for workers' training, so that we will have skills (*conocimientos*) which will enable us to make out *in any other place* as well, which is taking advantage of the new technologies.' Interview with José San Martín, head of the local union in a confection firm, 14 February 1992. L. Haagh, 'Re-Democratisation...', pp. 207–11.

Workers' property rights	Efficient flexibility	Institutional linkages
Underlying principle / aim		
Protecting developmental freedom of individuals	Achieving labour market flexibility which is efficient as far as the development of human resources is concerned	Policies/ institutions
Elements		
Access to training	Regulation of quality of entry-level training (for example of young people) to ensure long-term viability	'Real' point of entry into firm, through 'proper' dual programmes
Property right in gained skills/ experience	Creating incentives for long-term investments by firms	Flexible tax rebate schemes for firms including possible elements of targeting and compulsion
Form of income security	Certification of skills to maintain tradeable value and possibility for link with further training	Making sure that (private and public) provision falls within some adjustable) gamut of occupational streams or mid-streams that are identified as relevant by public and private providers of employment
Continuity in social security	Ensuring that long-term returns to training are reaped	Involvement of business/labour associations in this and in certification of skills
Real opportunities for re-entry to labour market, through (adjustable/ flexible) membership of occupational stream/streams	Adequate labour market information	Unemployment benefit/ insurance with added protection concerning other forms of social insurance, as well as separate forms of provision made for unemployed new entrants and other special groups
	Creation of training opportunities with local linkages	'De-centralised' regional development focus involving business/labour

Figure 1. Elements of occupational citizenship (between firm aspects): Areas of affinity between workers' rights and efficient flexibility, and relevance to training policy

idiosyncratic nature of investments in human resources.<sup>32</sup> The condition of asset specificity suggests that unless employers can safely expect to keep their workers on a long-term basis, they have no immediate incentive to

<sup>32</sup> For a discussion of idiosyncratic investments and the problems of asset specificity, see O. Williamson, *The Economic Institutions...* and O. Williamson *et al.*, *The Economic Nature of the Firm*, (Cambridge, 1986).

invest in their skills, although they may sense that upgrading production methods would increase their overall profits.<sup>33</sup> Hence, in a context where the ability to ‘move people across sectors and occupations’ is seen to be important, investment coordination in skills above the firm is clearly required. In addition, ensuring that skills are tradable and expandable (not unplugged from a continuous stream of accumulated learning) would seem – in a fluid labour market – to be most efficiently done by letting the property right reside in the moving agent (the worker) and not in the firm.<sup>34</sup>

In summary, market regulation of the simplest kind may work with management training (which the firm can realistically expect to own), but the case is different with the training of workers. Individuals rely on a certain structuring of training supply so that options accord with opportunities for employment, but even firms depend on a range of outside resources, including education and apprenticeship regimes which all recognise and participate in. What is certain is that segmented demand does not in itself bring such standardised information-systems and complex institutions about. Together, all these considerations point to the importance of similar certification and link systems, between education, training and work, to efficient flexibility and to the expansion of developmental freedom. The relevant areas of affinity are summarised in Figure 1, where the last column lists lessons for training policy.

Some of the items listed in figure 1 have featured in the reports of key development institutions. These are important to mention here, because of their influence on social policy doctrine in developing countries. Individual World Bank reports, for example, have warned against policies towards ‘vulnerable’ groups which simply subsidise employment *per se*, suggesting apprentice schemes and grants for vocational schools, particularly in the area of sustainable export manufacture.<sup>35</sup> Other reports have even made tentative endorsements of the state provision of ‘labour placement institutions’ and the ‘subsid[y] [of] the costs of worker

<sup>33</sup> Interestingly, the World Bank recognises this problem only to dismiss it because its quantity is unknown. World Bank, *World Development Report – 1995* (Oxford, 1995), p. 38.

<sup>34</sup> For the same reason, Chilean critics have proposed a private loan scheme for workers in the mid-1990s, as discussed in O. Labarca, ‘Education in Basic Skills and Training for Productive Work’, *CEPAL Review*, No. 59 (1996), p. 64. This raises the question whether the financial burden of training should also fall on individuals, and indeed whether a grant system would be better.

<sup>35</sup> For example, The World Bank, *World Bank Country Study – Korea* (Washington, 1987); *Vocational and Technical Education and Training*, Policy Paper (Washington, 1991); Discussion Papers, Nos. 72 (1990) and 95 (1990).

relocation'.<sup>36</sup> By 1997, the World Bank's annual report referred positively to 'network-thickening initiatives' and 'investment coordination' (henceforth NTIs and IC), defined respectively as 'strengthening the private-to-private networks that flourish in mature market systems', and as the ability of 'each party to base its investment decisions on the other's commitments'.<sup>37</sup> However, the World Bank has failed to coordinate the endorsement of isolated elements of occupational citizenship into coherent prescriptions for institutional coordination in labour markets. For instance, the 1997 report failed to highlight *labour* institutions as an aspect of NTIs or IC. The Bank's 1995 annual report (on workers), did note that, 'When the level of skills in the labor market is low, firms may invest too little in training despite prospective returns that would justify the investment, for fear that their workers, once trained, will find other employment...'. Still, the only measures that were advocated centred on voluntary job security (that is pure in-firm solutions).<sup>38</sup> Particularly striking in the 1997 paper is the lack of emphasis (pp. 4–5, 26.56) on institutional linkage to other systems of social provision (assistance, skill development, etc.) in the report's eager advocacy of the private provision of social and unemployment insurance (citing the Chilean case). Moreover, despite the emphasis on the role of 'well-functioning institutions to protect property rights' (p. 72), the Bank failed to mention labour's property rights (such as in skills) both here and in its (1995) document on workers. These are flaws typical of the gaps in policy doctrine that prevails in countries like Chile today.

#### *The labour market and training policies*

##### *Restructuring of education and training in Chile after 1973*

After 1973, in line with its general programme, the Pinochet regime began a process of privatisation and de-centralisation of education and training. By 1995, 39 per cent of primary school students, and 43 per cent of students of secondary education were in the private sector, which, although with average higher standards than the public sector,<sup>39</sup> had no uniform regime. Of young people (20–24 years) 59 per cent completed secondary education, but desertion rates were commonly as high as 50 per cent in municipal schools, and only 34 per cent of those in the lowest income group completed, compared with 86 per cent in the highest, and with socio-economic profile and ties to the job market being especially

<sup>36</sup> The World Bank, 'Vocational...', pp. 12, 48.

<sup>37</sup> World Bank, *World Development Report – 1997*, pp. 72–3.

<sup>38</sup> World Bank, *World Development Report – 1995*, pp. 38–9.

<sup>39</sup> ILO, *Chile: crecimiento, empleo y el desafío de la justicia social* (Santiago, 1998), p. 233.

tenuous for students from the technical branch, the so-called ‘*círculo de los pobres*’ (up from 35 per cent of total enrollment in 1992 to 40 per cent in 1997).<sup>40</sup> Unemployment as well as turnover have been particularly high in the group of the young,<sup>41</sup> and it has been found that both turnover and training are likely to be strongly related to the precariousness of formal work and the nature of social contracts in the firm.<sup>42</sup> The absence of a generalised system of apprenticeship in Chile is at the same time a cause and a consequence of low formality and of the precariousness of work. The very uneven conditions of entry of young people on the labour market helps to sustain the social stratification of firms, and hence increases the difficulty of eventually introducing the occupational streams and standards which may facilitate the investment in, and rotation of, skilled labour.

In the area of training, on the other hand, there has been a somewhat misplaced tendency to group Chile with Mexico and Brazil due to the private sector’s dominance in execution, and because of the importance of tax rebate schemes to firms.<sup>43</sup> A supervisory body, the *Servicio Nacional de Capacitación y Empleo* (SENCE), was set up, in 1977, but Chile was the only Latin American case in which the labour ministry did not remain on the board even of large corporations (henceforth PTCs – private training corporations),<sup>44</sup> and the consolidation of private providers was also especially dynamic in the Chilean case. The state corporation, the *Instituto Nacional de Capacitación Profesional* (INACAP)<sup>45</sup> was privatised early on, in 1976, alongside the transfer of more than 70 centres of occupational training to the private sector; there would be a mushrooming of over 700 PTCs in the years to come.<sup>46</sup> In contrast to this process of state-led market atomisation in Chile, it is necessary to distinguish the long-standing and *autonomous* initiative of the private sector in a country such as Brazil. This may help to explain how firms with long-term links to the corporations there have spent, on workers training, five times the amount gathered

<sup>40</sup> Ibid., p. 235, and G. Labarca, ‘Education...’, p. 69.

<sup>41</sup> Overall unemployment was 8.8 per cent in 1986, but that of 15 to 19-year-olds 18.4 per cent. By 1990, the ratio was 5.7 per cent to 15.9 per cent, and in 1998 (third quarter), 6.9 per cent to 21.9 per cent. Meanwhile, between 1986 and 1995, the share of job-seekers among young unemployed increased from 65.5 per cent to 83.3 per cent for 20–24-year-olds. ILO, *Chile: crecimiento...*, pp. 189, 194. For figures on dismissals, see Table A 3 in the Appendix.

<sup>42</sup> This may be appreciated in tables A 4 and A 5 in the Appendix.

<sup>43</sup> CINTERFOR, *La formación profesional en el umbral de los noventa* (Montevideo, 1990), Vol. I, p. 1.25; World Bank, *Skills for Productivity* (Oxford, 1993).

<sup>44</sup> CINTERFOR, *La formación...*, p. v.8.

<sup>45</sup> Later the *Instituto Profesional y Centro de Formación Técnica*.

<sup>46</sup> A single association of PTCs, Achecyd, represented, in 1991, a yearly budget (roughly 14,000 mio. pesos) equal to that of the total of public funds (14,551 mio. pesos) for the same area. *El Diario Financiero*, 21 September 1992.

through the tax rebate scheme.<sup>47</sup> In Chile, the amount of public money provided to the private institutes, in the 1980s, more than doubled that spent (per pupil) in the municipally-run schools.<sup>48</sup>

The principal issue, then, is not privatisation *per se*, but the atomised nature of the market in skills. The different approach of the Pinochet government in the area of pensions, vested with stronger regulation early on, has to do with the kinds of markets that the military regime wanted to build. Privatising health and pensions represented a clear-cut move away from the aspiring welfare state and from union influence, and strengthened a liberalised financial sector. Consolidating a market in skills, by comparison, would have been a complex affair, involving not simply the individual and the insurer, but also coordinated planning decisions. These, in turn, would reflect complexities of course and occupational content, regional and sectoral differences, the diversity of recipient groups, and the long time-lags on returns to investment in skills. Interestingly, an economy ministry official under Aylwin's Government alleged that the latter had retained the 'taboo' with respect to intervention in industry of the previous government (following its reaction to 'centre-left' industrial policies), whereas other sectors, such as transport, agriculture and mining, presented no comparable political hitch.<sup>49</sup> Finally, regulating a market of labour's property rights involves labour relations, because a clearer system of the certification of skills empowers workers. The natural consequence of that is that labour relations gravitate towards a system of transparency, consultation and bargaining, and for which entrepreneurs in Chile were not prepared.<sup>50</sup>

*Labour market trends and policies of the Pinochet period (1973–90)*

When the Pinochet Government did intervene in labour affairs, it was with *ad hoc* measures. Graham has documented how the destruction of the previous sectorally-segmented system of provision allowed the most marginal and poorest sectors to enter the orbit of social benefits for the first time, yet without any group attaining the means of permanent integration on the labour market.<sup>51</sup> Over the period, public employment fell dramatically (from 21 to 11 per cent between 1970 and 1986), with manufacturing collapsing as protected sectors were abruptly exposed to

<sup>47</sup> A. P. Freitas Filho, 'Os Industriais e a Educacao Profissional dos Jovenes Trabalhadores...', *Historia* (Sao Paulo, 1995); CINTERFOR, *La Educación...*, pp. 1.13–14, 20, 27–30.

<sup>48</sup> Inter-American Development Bank, *Modernizar con todos* (Washington, 1994), p. 77.

<sup>49</sup> L. Henríquez, 'O esos falsos dilemas...' in *El Diario Financiero*, 11 December 1992, p. 2.

<sup>50</sup> For an account of the CPC's point-by-point opposition to legislative changes after 1990, see L. Haagh, 'Re-Democratisation...', pp. 134–8.

<sup>51</sup> C. Graham, *From Emergency Employment to Social Investment* (Washington, 1991).

competition, and traditional and non-traditional exports and service sectors increasing in importance.<sup>52</sup> What mattered the most to training policy, however, was the nature of reformalisation of the 1980s. Average official unemployment was 19.6 per cent for the period 1980–84, a further 11 per cent of workers were on public employment programmes; and by 1990–94 wage employment was back to just over 60 per cent of the total, with unemployment down to 4.4 per cent. Still, this reformalisation of work did not usher in a ‘qualitative’ second phase of restructuring with organisational changes to accommodate technology or enhance product quality and the skill-base of the workforce following the quantitative efficiency gains of the 1970s (cutting dead time, excess manpower and so on). Instead, it involved a continuing quantitative extension of labour use; that is, of precarious wage jobs.<sup>53</sup> Labour re-incorporation included groups in weak bargaining positions and without training access, such as women, the young, and a continuing stream of rural migrants into Santiago.<sup>54</sup> Moreover, the labour programmes of the period were, in effect, temporary works projects, with the so-called PEM covering 9.2 per cent of Chile’s workforce in 1982, and POJH a further 1.8 per cent.<sup>55</sup> PIMO, involving the subsidy of labour intensive projects, only covered some 25,000 people at the programme’s height, whereas PEP, employing unemployed professionals, included at most 250 people a year, and a national training programme for youths only some 11,000 workers during its one year (1986–87) of duration. At the same time public policy did not exploit other trends inadvertently favourable to the advancement of occupational citizenship, such as the generalisation of employment conditions among workers or the empowerment of the state’s fiscal capacity to influence the incentive structures of firms.<sup>56</sup> How effective, then, were the private institutions in the organisation of skill formation?

<sup>52</sup> After some swings, by 1994 primary employment in urban employment had stabilised around 8.7 per cent, secondary employment at 27 per cent, and tertiary employment at 64.4 per cent. A. Díaz, ‘Chile: Neo-Liberal...’, p. 167.

<sup>53</sup> B. P. Bosworth *et al.*, ‘Saving, Investment and Economic Growth’ in *The Chilean Economy – Policy Lessons and Challenges* (1994), p. 170. The union survey cited earlier suggested that in 41 per cent of the industrial establishments at least 20 per cent of the (waged) workforce had no employment contracts.

<sup>54</sup> The share of female urban employment between 1966 to 1994 rose from 24.6 per cent to 33.7 per cent, whereas urban employment in total employment (in line with urbanisation generally) rose from 74.9 per cent to 87.1 per cent over the same period. Díaz, ‘Chile: Neo-Liberal...’, p. 164.

<sup>55</sup> This paragraph draws heavily on C. Graham, *From Emergency...*

<sup>56</sup> The increase in fiscal regulatory capacity occurred with a reform of the fiscal system in 1983. See G. Palma, in Arestis *et al.*, *Essays in Honour of Geoff Harcourt*, vol. II. (London, 1997).



*Market failures in Chile*

Starting with small- and medium-sized (henceforth SM) firms, a 1990 survey found a perceptible gap between the number of firms which acknowledged that the workforce required training (43 per cent), and the number which felt able to carry it out (13 per cent).<sup>57</sup> More than 95 per cent of such firms rejected the management courses on offer on the Chilean market as incompatible with their situation. Part of the problem was that the PTCs tended to cater exclusively to larger firms, with Chile's largest grouping of private PTCs, Archecyd, directing over 90 per cent of its courses towards enterprises with more than 200 workers in the early 1990s. Training was particularly low in SM firms in the new export sectors, with 40 per cent of respondents within the wood sector saying they never carried out training activities, against an average of 23.2 per cent in more traditional areas of industry.<sup>58</sup>

Another problem was the tendency for supply to focus on the training of management, with 60 per cent of participants through listed PTCs in 1990, being either executives, professionals, supervisors or administrators (the latter with 45 per cent). Of the 40 per cent of participants who were workers, 32 per cent were already skilled. By 1992 the balance between management and workforce participation had widened further: to 65 per cent versus 35 per cent.<sup>59</sup> Moreover, the general weakness of labour's property rights was increased by their inadequate representation in individual firms, the great majority of which (73 per cent in our survey, Table A 4 in the Appendix) did not allow workers a say over the use of subsidies for training in the firm. In the group of enterprises with very high levels of turnover (107 cases), 70 per cent did not offer any training for workers, compared with 54 per cent in the rest of the firms, where levels of turnover were below 30 per cent. On the other hand, in the isolated cases where sectoral accords had been made, such as in the metal sector, workers were a good deal more likely to have a role in decisions relating to workers' training at *enterprise level*, compared with other areas with equal levels of training activity, but no sectoral accords, such as for example the cluster of agriculture-based new export zones.<sup>60</sup>

In the case of Archecyd, one of the largest intermediary PTCs, 80 per cent of its supply in the early 1990s was permanently anchored in courses of administration, English and computing – a fact which the association's

<sup>57</sup> SERCOTEC, '*Antecedentes sobre la capacitación empresarial y laboral*', Doc. No. 9 (Santiago, 1990), pp. 7, 15.

<sup>58</sup> *Ibid.*, p. 18.

<sup>59</sup> Elaborated from SENCE data, The Labour Ministry, SENCE (1992). Participants through OTIRs, the intermediary PTCs.

<sup>60</sup> See L. Haagh, '*Re-Democratisation...*', pp. 270–2.

president, Carlos Elbo, acknowledged did entail ‘overwhelming deficiencies towards other areas indispensable to fulfil the second stage of export growth’.<sup>61</sup> There was also a great difference between the share of training courses which were directed at middle level management in Chile compared with other Latin American countries. In Chile these represented 34 per cent of the total, compared with an average of two per cent for the continent as a whole. Skill upgrading was lower in Chile than anywhere else (45 per cent of courses compared with an average of 72 per cent for the continent), and initial vocational education was also quite small.<sup>62</sup>

If labour’s property rights were weakly represented within the PTC system generally, an important cause may be found in the system of entry, in particular in the case of the young. Only 17.3 per cent of Chilean entrepreneurs in the SERCOTEC survey were aware of the rules which governed apprentice contracts, and 74.4 per cent had no knowledge of them at all.<sup>63</sup> The structure of supply, again, is an important factor, with Acheycyd, for example, featuring no apprentice courses on its curriculum of training activities. Moreover, the head of the CPC’s Education Department (*Comisión de Educación*), Carlos Schlesinger, admitted that the 70 technical schools under the administration of the CPC lacked both the teaching expertise and the standard of equipment which would justify linking the courses there directly to practice in actual firms. It was also thought that the tradable value of the skills was weak, since workers usually had to undertake further training after finding employment.<sup>64</sup> Hence, the schools administered by the employer organisations were themselves hardly useful to firms in terms of providing them with professional criteria according to which they might classify skills, or indeed helpful in terms of enhancing labour security and mobility by providing professions with a trans-firm, tradable value.<sup>65</sup> It was believed that the state subsidies which financed these establishments were insufficient, particularly since no financial commitments were forthcoming from the private sector towards invigorating the schools. Again, the

<sup>61</sup> ‘*Metas de productividad impulsarán la capacitación*’, in *El Diario Financiero*, 21 September 1992.

<sup>62</sup> CINTERFOR, ‘*La educación...*’, vol. I, p. III.9.

<sup>63</sup> SERCOTEC, ‘*Antecedentes...*’, p. 38.

<sup>64</sup> We should also note that this unwillingness to associate the social hierarchy within the firm with supra-firm professional norms would naturally complicate the establishment of supra-firm bodies involved in helping to modernise the flexibility of work, including institutions along the lines of Germany’s REFA (*Verband für Arbeitsstudien* or Corporation for Labour Studies), which involved workers’ representatives as well as employers/managers in education on production methods. For information on REFA, see Maurice *et al.*, ‘*The Social Foundation of Industrial Power*’, London, 1986.

<sup>65</sup> Within Latin America, certification of skills was found to be particularly wanting amongst the Chilean PTCs. CINTERFOR, ‘*La educación...*’, pp. VII, 24–5.

structure of supply inter-acted with that of demand, because it was thought that individual firms lacked the technical staff, as well as the willingness, necessary to ‘open up’ to a dual programme.<sup>66</sup>

There seems to be some justification for this view. Indeed, even the employer association of the metallurgical sector, the *Asociación de Industriales Metalúrgicos* (ASIMET), the only of its kind to advance a dual scheme, had encountered a variety of problems in the initial phase of its programme, particularly in terms of lack of trained personnel in the sector’s firms which could undertake apprenticeship responsibilities, as well as a reluctance on the part of the permanent staff to pass on their skills to what they saw as a threat from younger contenders. The special commitment of ASIMET’s leaders to skill development of a concerted kind led them to set up a programme with German input to establish a new qualification, the ‘trained foreman’ (*maestro calificado*), who, having gained a more secure professional status, would have less incentive to oppose the transmission of skills. But the metallurgical sector is the exception in Chile, and it is not surprising, in light of what we have said, that INACAP has been identified as the only nation-wide Latin American PTC unable to plan, as ‘evident primarily in its “short-term nature”... ‘in strict accordance with immediate demand...’, or that SENCE ‘never developed a training policy’ and was judged to have a level of planning that ranked as the continent’s lowest.<sup>67</sup>

In summary, the weakness of institutional mediation and of labour’s property rights are the central factors behind the paucity of apprenticeship and of a broader based system of skill credentials in Chile. Comparisons between models based on supply (Sweden, France, Italy and most of Latin America), on demand by business (UK, USA), or on a combination (Germany, Austria, Switzerland) are beside the point. When Chile did have a system of publicly-gearred supply, it was never vested with strong links to the private sector and sophisticated diagnosis systems such as those typical of the best ‘supply-based’ setups.<sup>68</sup> The switch to a ‘demand-based’ regime fixed the power to demand in firms, and retained a central problem of the supply-based format – namely the tendency of institutes to dictate supply. In general, it was broader institutional factors that defined the difficulties that Chilean governments were to face in introducing dual schemes, such as the Youth scheme, crudely based on a German format.

<sup>66</sup> ‘Educación técnico-profesional: Un atraso en la modernización?’ in *El Mercurio*, 2 December 1991.

<sup>67</sup> CINTERFOR, *La educación...*, pp. 38–40.

<sup>68</sup> The flexibility and sophistication in gathering labour market information in the ‘supply-based’ systems of Singapore (V. Selvaratnam, *Innovations in Higher Education* (World Bank, Washington, 1991)) and Sweden (OECD, *Technology and the Economy* (Paris, 1992)) have been emphasised.

*Some notes on the German experience*

In contrast to the Chilean situation, German efforts have rested essentially within a standardised apprenticeship system, one based on certified and equitable standards and on the collective obligations of firms. From the first, technical education in Germany has roots in an egalitarian school regime, with 92 per cent of apprentices in the 1980s emanating from the mainstream track 1 of the *Hauptschule* or secondary education, and only 28 per cent being children of unskilled workers or farmers. The foremen themselves set out through the apprenticeship system, which, as an extension of formal schooling, permits workers to continue to expand on their skills.<sup>69</sup> The links to labour relations reverse the Chilean scenario, too, with training requirements and selection being subject to co-determination, and typically a decision for the technical (not personnel) department. The status of a supervisor (foreman) is a legally licensed occupation which traverses the structures of individual firms. Moreover, the supervisor retains his or her status when changing employment, and hence he or she has weak incentives to use informal norms in individual firms. For firms, benefits accrue from the high general standard of skills and freedom from fears of poaching. On the other hand, workers gain in developmental freedom through a regime where training tends to precede promotion, and where it is the worker, and not the firm, that is the principal owner of skills.

But how far is reference to the German case a fair one, in light of differences in technology and industrial structure? In fact, technological constraints would hardly prevent greater moves towards apprenticeship in Chile, and nor would the country's high price on labour flexibility be a hindrance, at least in light of the German case. Considering inter-firm flexibility, for example, the fact remains that a very high number of German apprentices do not stay with the firm which trained them.<sup>70</sup> In the case of wage flexibility, it has been noted that the legitimacy of bonus systems or productivity pay in German firms, compared with other countries, has meant that firms maintain high levels of pay flexibility despite having to remunerate a certain base-level for particular streams. At the same time, the systematic study of work methods, for example through REFA,<sup>71</sup> has helped to sustain the legitimacy of intra-firm flexibility in the country's firms.

In turning to the different levels of development of Germany and Chile,

<sup>69</sup> According to Maurice *et al.* (*The Social Foundations...*, pp. 38, 48), 53 per cent of workers in Germany obtain their highest professional qualification after commencing work. <sup>70</sup> *Ibid.*, pp. 148, 163. <sup>71</sup> See note 63 above.

and in particular the latter's many SM firms, we should first note that 25.7 per cent of Germany trainees work in micro companies (less than 10 employees), another 29.8 per cent in small firms (11 to 49 employees), and only 17.5 per cent in firms with more than 200 workers.<sup>72</sup> Maurice *et al.* have found that organisational differences could not be reduced to technological differences in French and German firms using the same technologies.<sup>73</sup> At a general level, a more rational organisation of human resources is hardly dependent on either capital or skills-intensity, as exemplified by the metallurgical sector in Chile, where minimum wages, apprenticeship-style programmes, and plans for unemployment benefits and information systems were agreed between employers and workers, in 1992. Similar attempts have been made in areas of low capital intensity and dominated by small establishments (such as bakery and foot-wear), whereas employers' leaders in more sophisticated sectors have opposed coordination on principled grounds.<sup>74</sup> Nevertheless, it is fair to say that reforming the training system in Chile would be a question of incremental and inter-locking institutional changes throughout the industrial and educational regimes, and this required, as an initial element, a change in the political climate of policy reform.

*Political approaches to training in the Chilean transition*

Programmatic statements of both the transition government and the labour movement in Chile supported greater institutional coordination in training markets.<sup>75</sup> CPC leaders, for their part, conceded that new technology and the development of export manufacture were crucial to Chile's development, yet they insisted that investment in human capital should emerge exclusively through 'private initiative', with training institutes controlled only by immediate demand.<sup>76</sup> In the end, policy-makers were constrained by the weakness of the state apparatus in promoting and regulating skill development, not to mention, of course, the forceful presence which the private sector had achieved, for example within the largely cosmetic training council, holding advisory sessions at

<sup>72</sup> G. Labarca, 'Education...', p. 69.

<sup>73</sup> Maurice *et al.*, *The Social Foundations...*, pp. 62–4.

<sup>74</sup> For details concerning these sectoral cases, including particularly metal, see further L. Haagh, 'Re-Democratisation...', chapters four and five.

<sup>75</sup> *Concertación*, 'Programa de gobierno' (1989), pp. 25–6. CUT, *Documento final, Primer Congreso* (1990), p. 54; 'Propuestas para el debate' (1991), p. 12. Interviews with Raúl Requena, head of the CUT's socio-economic commission (Santiago, 24 July 1992) and Eugenio Díaz, leader of CIASI, the independent CUT advisory (Santiago, 13 January 1992).

<sup>76</sup> J. Matéic, 'Tecnología, calidad y productividad', ICARE (Santiago, 1990), pp. 154–5, and J. Piñera, 'Cultivando la competitividad de la economía Chilena', ICARE (Santiago, 1991), p. 32.

three to four months' intervals.<sup>77</sup> Chile's SENCE ostensibly remained the only supervisory body on the continent unable to carry out an adequate survey of labour markets, partly due to lack of funds, and partly to lack of cooperation from the private sector in the exchange of information such as through the *oficinas de colocación*.<sup>78</sup>

Taking a broader view, it is even possible to discern in the social programmes pursued by the democratic governments since 1990 a general preference for identifying specific groups deemed to be vulnerable in the market system, and then applying a blanket or horizontal policy within them – a method intended to ration scarce public resources and apply them to those that are most in need. In many instances, this strategy appears to have resulted in unsophisticated policies towards highly heterogeneous groups, with a limited duration and no significant element of bridge-building to other institutions or programmes. The policy of technological support for micro-enterprises and small firms, for example, has been criticised for assuming that individual firms have sufficient information and access to cumulative experience to know what technology they need.<sup>79</sup> However, the trend has been to decrease institutional coordination, with the leasing, in 1993, of the identification and organisation of programmes to intermediary bodies, which, in view of the competition for franchises, were dis-inclined to coordinate information or investment, and would also claim high administrative costs (25 per cent of the budget). Similarly, poverty programmes have often failed to establish follow-up projects, collect data, or assess regional applicability,<sup>80</sup> which may also have something to do with a method of franchising that does not promote institutional coordination. The point to note is that public money which is channelled within a system composed of sophisticated institutional links is more likely to have multiplication effects, compared with the segmented service system; and training programmes are especially dependent for their success on networks of this particular kind.

#### *The training policies of the Governments of Aylwin and Frei*

##### *The tax rebate scheme*

The firm-based tax rebate scheme has dominated training policy in Chile since the 1970s. This programme, under which any firm could claim back one per cent of its annual wage bill for the purposes of training, concentrated 65 per cent of SENCE resources in 1980, with the other 35

<sup>77</sup> Interviews with María-Ester Féres, legal advisor in CIASI (Santiago, 3 April 1992) and Guillermo Campero, head of cabinet, Labour Ministry (Santiago, 4 February 1992).

<sup>78</sup> CINTERFOR, '*La educación...*', p. I. 27–8, V.50.

<sup>79</sup> ILO, '*Chile: crecimiento...*', pp. 278–80. <sup>80</sup> *Ibid.*, pp. 285–6.

per cent going to a grant scheme targeting workers directly. By 1985, however, the tax rebate scheme (henceforth TRS) commanded 91 per cent of SENCE resources, and this share has since remained virtually unchanged (Table 1).

The main problem with blanket tax rebate schemes is that their usage tends to be slack. In Chile (Table 2), only 54 per cent of firms were inscribed in SENCE's registers in 1992, down from 70 per cent in 1985. The number of such firms which activated the tax break option averaged one in four, whereas of eligible firms, the figure is estimated at no more than 13 per cent.<sup>81</sup> More importantly, the tax break scheme continued to be heavily weighted in favour of larger firms, with only four per cent of SENCE's resources in 1991 spent within establishments having less than 50 workers despite the fact that 63 per cent of Chile's workforce was concentrated in this particular stream.<sup>82</sup> Moreover, as Table 2 shows, in the early 1990s two-fifths of SENCE participants came from the ordinary workforce, down from nearly one-half at the end of the 1970s, in the early days of the programme. The remaining 63 per cent pertained to management – executives, administrators and supervisors, of which the latter represented the smallest group. Occupational distribution had barely changed by 1996, and moreover the figures of professional targeting are almost identical to those which characterised the PTC system overall, indicating the failure of policy to modify arrangements spontaneously arrived at in the private sphere.<sup>83</sup>

If course content is used as our indicator (Table 3), we find that around 94 per cent of courses can be classified as rubrics which have to do with management (including computing and English), services or sales, whereas only two per cent have been centred on activities which relate to industry. With industry still at two per cent, and administrators at 37 per cent, in 1996, the overall distribution in this table did not change throughout the decade.

It was some time, then, before significant modifications to the tax break scheme came about. The mild modification in 1997 of SENCE statutes represented an acknowledgement of the failure to promote workers' as opposed to management training, in that the firm would henceforth have to contribute more towards the training of individuals (article 37) with earnings at higher levels.<sup>84</sup> Efforts to ensure that workers have a say on

<sup>81</sup> SENCE, *Apartado estadístico* No. 1 (Santiago, 1993).

<sup>82</sup> SENCE, *Apartado estadístico* No. 2 (Santiago, 1993).

<sup>83</sup> For example, in the years 1990 and 1992, the distribution of participation on registered PTCs between management and workforce was 59.9 per cent and 65.3 per cent for the former, and 40.1 per cent and 34.7 per cent for the latter. Elaborated on the basis of SENCE data.

<sup>84</sup> *Ley Num. 19.518, Fija Nuevo Estatuto de Capacitación y Empleo, Diario Oficial 14 de octubre de 1997.*



Table 1. Percentage distribution of participants and spending on different SENCE programmes, 1977–96 selected years

Years	Tax rebate scheme (%)		Apprentice scheme (%)		Grant programme (%)		Youth training scheme (%)		Total
	1	2	1	2	1	2	1	2	
1977	41	40	—	—	59	60	—	—	100.0
1980	65	65	—	—	35	35	—	—	100.0
1985	86	91	—	—	14	9.0	—	—	100.0
1990	96.7	97	0.3	0.3	3.0	2.7	—	—	100.0
1991	91	73.8	0.3	0.3	2.2	3.6	6.5	22.3	100.0
1993	91.1	65.4	0.1	0.3	1.3	3.8	7.5	30.5	100.0
1996	93.7	77.3	0.1	0.3	1.4*	2.3†	3.8	18.8	100.0

(1) Participants, (2) Spending.

Source: Elaborated on the basis of SENCE data, The Labour Ministry, Chile.

\* The figure would have been 2.4% if we had included the 1995 programme aiming at training managers of SM firms, and (†) 3.6% in the following box.

training was made with the requirement that firms with more than 15 workers constitute a bipartite commission to discuss training matters, and the stamp of approval of which could lead to the tax subsidy being increased by 20 per cent (article 39). The reform also improved the technological functioning of the TRS, making the claim back procedure swifter and hence lowering the costs of transacting for firms.

On the other hand, the reform did not tangibly address the situation of small establishments, for which the actual rebate was frequently too little to initiate any training at all, whereas for larger firms, who had the necessary capital, if not perhaps the will it was of a small importance. The confinement of *comisiones bipartitas* to middle-sized and larger firms prevented workers in small establishments having any say, and the experience of the *comités paritarios*, which had existed for more than a decade and which a survey found functioned in only a third of cases, did not bode well for the new commissions.<sup>85</sup> Moreover, although the designation of union envoys was mandatory, the latter’s participation depended on overall union density in the firm (with a density of less than 50 per cent, the union only appoint one of three representatives). In Chile union density is severely constrained with the legal encouragement of ‘negotiating commissions’ at the hour of bargaining in the firm. What is more, since the committee, which is simply advisory in nature, only meets if four of six delegates agree (three more being appointed by management

<sup>85</sup> Union survey of 1992, L. Haagh, ‘Re-Democratisation...’, p. 248.

Table 2. *Percentage distribution of participation through the TRS, by occupation. 1977–96 selected years*

Year	Executives & Professionals	Administrators	Supervisors	Skilled Workers	Semi-Skilled Workers	Unskilled Workers	Total
	Management			Workforce			
1977	14	18	20	27	16	5	100
		(52)			(48)		100
1985	21	25	17	28	6	3	100
		(63)			(37)		100
1990	21	26	14	30	7	2	100
		(61)			(39)		100
1992	20	28	14	30	6	2	100
		(62)			(38)		100
1994	19	31	13	30	5	2	100
		(63)			(37)		100
1996	18	34	12	29	5	2	100
		(64)			(36)		100

*Source:* Elaborated on the basis of SENCE data, The Labour Ministry, Chile.

Table 3. *Percentage distribution by area on the Tax Rebate Scheme, 1988–96 selected years*

Area	1988	1990	1992	1994	1996	1997
Administration	38.4	38.2	40.2	31.6	36.9	37.2
(Personnel and Marketing)	(20.8)	(20.8)	(22.9)	—	—	(25.8)
(Production)	—	—	—	—	—	(1.9)
Services and Commerce	8.2	5.3	6.3	11.2	15.3	15.3
(Personal services)	(3.3)	(5.4)	(4.3)	—	—	(4.1)
(Financial services)	—	—	—	—	—	(2.3)
(Health services)	—	—	—	—	—	(1.3)
Basic and Applied Sciences	43.3	44.3	43.2	16.8	18.1	39.4
(Computing)	(12.4)	(14.2)	(18.7)	(15.0)	(16.5)	(16.8)
(English)	(14.9)	(8.5)	(5.2)	(4.1)	(5.2)	(2.8)
(Mechanic)	—	—	—	—	—	(1.8)
(Welding)	—	—	—	—	—	(0.7)
Industry	3.0	2.5	2.2	2.4	2.5	3.6
(Indu. Auto.)	—	—	—	—	—	(0.4)
(Food indu.)	—	—	—	—	—	(1.8)
Textiles)	—	—	—	—	—	(0.2)
Other	7.1	9.7	8.1	3.8	27.2	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Elaborated on the basis of SENCE data, The Labour Ministry, Chile.

directly), worker input would only be realistic in the few firms with high union density.<sup>86</sup>

In addition to these shortcomings there were no obligations placed on employers in terms of financing the training system. The new reforms left untouched one of the central weaknesses of SENCE, namely that it was neither legally empowered nor politically motivated to undertake a strategic role in regulating the PTCs, or in policies of accreditation and training supply. Nor did the new reforms touch in any way the problem of the absence of institutional linkage in the training system or the lack of a generalised system of the certification of skills. From the outset, policy-makers had followed almost literally the liberal ideal that any intervention from the state had to be universal to all, or ‘non-selective’; it was decided not to target SM firms on principle,<sup>87</sup> or indeed apply policy specificity by sector, occupation, or industry.<sup>88</sup>

The absence of any significant obligations on Chilean firms differs markedly from the kinds of duties which governments in East Asian and

<sup>86</sup> In the survey of industrial unions cited earlier, 46 per cent of the establishments had a rate of unionisation below 40 per cent. L. Haagh, ‘Re-Democratisation...’, p. 284.

<sup>87</sup> Interview with Enríque Correa, Minister of Government (Santiago, 4 September 1992).

<sup>88</sup> Interview with Mario Cerda, Director of SENCE (Santiago, 24 August 1992).

other economies that Chile sees itself as emulating have imposed on the private sector. Ear-marking of resources for workers' training on a much larger scale and special provisions for small firms have been seen as the conditions for success of tax rebate schemes in Singapore<sup>89</sup> and similar provisions have been introduced in Mexico where, moreover, workers training was made compulsory in the early 1980s for firms of a certain size. In Korea, vocational training centres were established nationwide as early as 1967 which provided training free of charge to middle school graduates, high school drop-outs as well as high school graduates at different levels, who then could claim some degree of ownership over their skills, and in some sense become members of a particular trade. Since 1987, the facilities have been extended to fired and displaced workers, and the responsibilities of firms emphasized since 1976, when firms of a certain size became subject to a levy to finance the public schemes.<sup>90</sup> Although Chilean PTCs have set up a number of institutions, *Organismos Técnicos Intermedios* that resemble the investment coordination advocated by the World Bank (see above), such or similar associations (representing mainly larger firms) have been concerned (with some exceptions like the metal sector) chiefly with optimising the use of public resources for individual firms towards the immediate training of management, and not with the coordination of labour market information and standards as far as training is concerned. In summary, one of the most important decisions of the Aylwin Government was to maintain the system of tax breaks essentially intact, and the Frei reforms were limited partly because of this precedent.

#### *Other training programmes*

A number of new training programmes of the 1990s subsidised individuals directly and hence had the potential to strengthen workers' property rights, by giving them, at least in an immediate sense, control over acquired skills.

Yet despite their undoubted immediate relevance, these programmes were extremely small, and remained isolated not only from each other and other poverty programmes but also from any mainstream system of education and training as such.<sup>91</sup> They also lacked credibility in the business sector, which was very reluctant to participate actively in the

<sup>89</sup> And the grants were paid out post-hoc. V. Selvaratnam, 'Innovations...', p. 38.

<sup>90</sup> Y-b. Park, 'State Regulation, the Labour Market and Economic Development: The Republic of Korea' in G. Rodgers (ed.), *Workers' Institutions and Economic Growth in Asia* (Geneva, 1994), pp. 156–9.

<sup>91</sup> The programme for women was more successful in that it covered four integrated areas of health, child-care, housing and training for work, albeit of short duration.

Table 4. *Training programmes carried out by, and in association with, SENCE, in 1992*

Name of programme	Number of participants	Participated in (%)
1. Tax rebate	259,783	90.24
2. Grant Scheme	2,133	0.74
3. Apprentices.	655	0.23
4. YTS (Youth)	21,460	7.46
5. FCJ (Marginal Youth)*	2,400	0.83
6. Coal reconversion.	369	0.13
7. Women's training.†	734	0.25
8. Dual education.	340	0.12
Total	287,874	100.0

Source: Elaborated on the basis of SENCE data, The Labour Ministry, Chile.

\* This programme (through FOSIS) covered approximately 12,000 young people.

† In 1992–93, 1,467 women completed training courses (through SERNAM).

municipal offices of employment relocation and job information.<sup>92</sup> Among these various programmes, the YTS was undoubtedly of the greatest importance.

#### *The youth training scheme*

The Youth Training Scheme (YTS) aimed to cover no less than 100,000 youths in three years, and its high unit costs suggested that the quality of education would also be commensurately high.<sup>93</sup> Its dual format was ostensibly modelled on the German regime,<sup>94</sup> but how far did the programme actually deviate from the basic principles which characterised the Chilean PTCs in a systemic sense? Table 5 presents us with a typical breakdown of course contents within the YTS, based on two criteria – the level of technical skill content and association with Chile's dynamic export sectors.<sup>95</sup> The first box in the table contains courses which qualify at least on the first criteria. It shows that only 25 per cent of courses within a typical YTS auction reflected activities which one would normally associate with the technical content of a dual education programme. Another 21.7 per cent featured activities which involved a sufficient level

<sup>92</sup> Employment relocation itself was of limited, although not unnotable, success. This service managed to place 34.5 per cent of unemployed people inscribed in 1996, that is, 35,888 people out of 104,004 inscribed in the registers, and 76,521 vacant positions.

<sup>93</sup> The programme covered only 7.7 per cent of SENCE participants, but 28 per cent of resources.

<sup>94</sup> *El Diario Financiero*, 5 November 1992.

<sup>95</sup> The table represents the courses, 527, of one YTS auction. Each course features 15–25 participants out of 11,017. SENCE, '*Resultado del Tercer Llamado...*' (Santiago, 1992), pp. 25–8.

Table 5. *Typology of course content. Third auction (licitación) of the YTS*

Type course	Percentage (%)		Sample of specific courses
1	24.5		Metal-mechanics (7%), textiles (5%), electricity (5%), computing (4%), industrial processing of food exports (0.4%), other (3%)
2(a)	34.3	21.7	Basic skills within ceramics, electricity, shoe-making, upholstery (5.9%), maintenance and assistance (3.4%), machine operation (2.5%), basic secretarial (2.1%), food preparation (1.3%), bakery assistant (0.9%), basic mining and agriculture (1%), other (4.6%)
2(b)		12.6	Basic cultivation of fish and other food products (4.2%), basic food processing (3.8%), fruit sorting and packing (2.1%), forestry (1.3%), other (1.2%)
3	41.2		Office helper (6.1%), vigilance (5.7%), basic sales technique (3.6), basic food presentation (3.6), bar and hotel services (2.5%), telephone operators and supermarket cashiers (2.3%), basic personal services (1.9%), basic services and various (15.5%)

(1) Areas approximate to a typical technical education content. 2(a) Areas requiring some development of skill and/or 2(b) related to dynamic export sectors. (3) Areas involving very low skill development and/or unrelated to dynamic export sectors. *Source*: elaborated on the basis of unpublished SENCE statistics. The Labour Ministry, Chile.

of skill to warrant a five months' training programme, but of which it would be difficult to say that they exhibited strong links with productive transformation. In the words of a Chilean labour academic and SENCE critic, activities such as maintenance, cookery and bakery assistance 'hardly approximate[d] to a curriculum representative of modernity in Chile'.<sup>96</sup>

The remaining 53.8 per cent (box 2.b and 3) featured activities with a very low skill content. A mere 12.6 per cent of these were associable with dynamic export sectors such as fish and food conservation, fruit packing and forestry. Typical courses within the largest bottom group of 41.2 per cent included private vigilance, bar tending and supermarket cashier services. Even when considering the courses with a higher skill content (group 1 and 2.a) the courses were too short to compare with the traditional apprentice schemes or with a basic technical education.

The YTS could also be assessed in terms of how far it related to the quest for productive transformation within the new export areas, which have been subtracted from Table 5 and presented in Table 6 (14.6 per cent in the total). This table distinguishes between functions associated with higher technical competence and higher aggregate input activities, on the one hand, and others which are connected with basic and precarious work

<sup>96</sup> P. Vallejos, 'No basta emplearlos...', *El Diario Financiero*, 29 December 1992.

Table 6. Representation of dynamic export sectors\* in the YTS

Type course	Percentage	Sample of specific courses
1	0.8	Quality control, operation and management of irrigation equipment, crop management, management of chemical products in agriculture
2	3.6	Food industry processing and conservation, fish-meal production, smoking, processing of salmon
3	10.2	Cultivation, plantation assistant, handling of fruit-trees, packing, forest-keeper, forestal plantation, packing, and other.
4	14.6	Total

\* New dynamic export sectors are here defined as forestry, fishing, fruit and other food-stuffs.

(1) Advanced skill in production or management. (2) Middle-level skill. (3) Simple skill. (4) Percentage in total courses (527 – with 11,017 participants) in the Third Licitation of the YTS.

Source: Elaborated on the basis of SENCE statistics, Labour Ministry, Chile.

activity on the other. Here we find that a mere 0.8 per cent of activities in the first group, and 3.6 per cent in the second, whereas the remaining 10.2 per cent accounted for the simplest and, from a social perspective, the most vulnerable chores, like packing and forestation.

The last way to evaluate the YTS is to look simply at the evidence of existing demands from firms. Table 7 compares the areas of demand for skilled or semi-skilled workers by region which were detected in the Sercotec survey cited above, with the YTS courses undertaken (as part of the YTS third auction) in those same regions. The table shows that a great number of these regions featured no correlation at all, and even here the highest co-relation was only 25 per cent. The overall average was as low as 6.6 per cent.<sup>97</sup>

Again, it is relevant to consider the nature of the linkage between the private sector and SENCE in explaining the negative features of the YTS which have been highlighted. The use of competitive licensing and involvement of the private sector had the potential to ensure maximum efficiency and accountability, but these positive elements presupposed that a centrally placed public body had a firm hand in manipulating the activities of the PTCs. In each of the youth programmes the participation of institutes specialising in low-skill activities (the so-called *Organismos Técnicos de Ejecución*, or OTEs), represented over 80 per cent of educational institutions, with the better equipped professional institutes (IP) involved

<sup>97</sup> And hence even less than the success rate of 34.5 per cent of the municipal relocation offices mentioned above (35.9 per cent for 1992).



Table 7. *Percentage of courses on the youth programme compatible with demand from SM firms. By region*

Region	Areas in demand*	1 (%)†
1	Carpentry, textiles, metal	12.2
2	Carpentry, metal	0.0
3	Metal (welding)	0.0
4	Food conservation (Oysters), confectionery. Furniture-making, welding, metal	6.5
5	Confection, textiles	7.4
6	Textile, wood preparation, welding	8.3
7	Furniture-making, welding	0.0
8	Designers (clothes/furniture), furniture-making, welding, textiles, food conservation, printing	22.7
9	Furniture-making, whetting of shutters and similar	4.0
10	Making of shutters, welding, lacquering, varnishing, machine operation	0.0
11	Pottery, furniture-making	0.0
12	Furniture-making, welding.	0.0
13‡	Confection, textiles, shoe-making, furniture-making	25.5
Average		6.6

(1) *Coincidence (%) in YTS Sources.*

\* SERCOTEC survey, complemented by local government information.

† Course list by area of third auction of the YTS (involving 545 courses and over eleven thousand participants).

‡ Metropolitan region.

in less than ten per cent of ongoing courses. Amongst the most sophisticated among them, this trend continues, with 19 of INACAP's 35 courses centred in the third group of Table 4, including courses in cookery, floor services in hotel, the elaboration of cakes, and 'sales technique'.<sup>98</sup>

The link to firms, through what resembled an apprenticeship period – the feature of the programme that the labour ministry had been most proud to present – and which seemed to justify referring to it as a 'dual' scheme, like that in Germany, was in fact one of the scheme's main flaws. The ministry's own survey, conducted when the programme had run for over five years, found a level of awareness among included firms of the programme's objectives, even of its basic technical and educational contents, that was astoundingly low. According to this, none of the 24 employers interviewed had any input – or indeed had any opinion – on the educational content of the practice period, and 73 per cent were at a loss as to its technical purpose. Some 93 per cent were not even cognisant of the standard module that was set up to accompany their assignment, and only 20 per cent had had any information about supervision of the

<sup>98</sup> Third licitation of the YTS, SENCE (Santiago, 1992).

programme by SENCE itself.<sup>99</sup> If anything, this signals the failure to use the youth scheme as an instrument for introducing a set of widely applicable and universal apprenticeship standards, although the opportunity to do that was one of the few real advantages of the exercise, as a result of the broad inclusiveness of the YTS. As it was, the extensive coverage of the scheme remained a serious drawback, because of thinness of the spread of resources. SENCE, meanwhile, had reduced its own ability to provide any direction by the decision to restrict its function to ensuring an equitable distribution of resources at regional level. The atomised situation of individual PTCs, and their isolation in identifying the needs of firms for trained personnel, may help explain the finding in one SENCE survey that the PTCs were repetitiously over-producing particular courses in relation to regional need.<sup>100</sup>

The fact that some 20 per cent of resources remained fallow at each SENCE auction deflates the notion of any serious competition within the YTS. It indicates that the PTCs found participation in the YTS less lucrative than other activities, or it could be a sign that there was not the sufficient infrastructure available in Chile to cater for workers' training on the scale of the youth training scheme. In order to incentivise its development, SENCE would have had, at the very least, to offer longer-term contracts, and to establish a broader-based system for the certification of skills. There were no resources within the YTS to follow-up, the training centres were isolated from one another and financed for very short periods at a time, making it impossible to develop the institutional infrastructure necessary to build a network of certifiable and mainstream educational and training centres, even at the sub-regional or sub-sectoral level. In short, if SENCE did not set any criteria as to the technical content level, occupational focus or sectoral linkage of the courses on offer, it was hardly encouraging the PTCs to upgrade the standards of their infrastructure and develop their links to firms within particular fields. Effectively, policy-makers had structured the YTS on the assumption that the market argument held concerning training provision in Chile, and were powerless when this supposition was found to be less than correct.<sup>101</sup>

<sup>99</sup> The figures in this section, unless otherwise stated, are from a Labour Ministry manual containing survey information gathered between May 1994 and August 1996, by the Labour Ministry, as well as data up to the end of 1997. '*Creciendo juntos – Chile joven*', Santiago, December 1997.

<sup>100</sup> This was found in a SENCE study carried out in September 1994, '*Caracterización de empresas e instituciones que han otorgado prácticas...*' Labour Ministry, December 1997, pp. 107–109.

<sup>101</sup> The Ministry of Education's attempt in 1992 to scrutinise the activities of the 70 technical schools under the CPC's control by putting a question-mark over the state's renewal of the lease of these establishments to the CPC was met with overt threats

This fact, along with the prior absence of a functioning network of long-term contracting in the business sector itself, may help to explain how apprenticeship in public subsidies had completely failed to develop, with the programme (*Aprendizaje Alternado* – AA, started in 1988 and since modified a number of times) still counting for no more than 0.3 per cent of SENCE participants towards the end of the next decade (Table 1). This scheme had a higher unit costs than the YTS, and for it to be sustainable as well as inclusive would have required a greater financial and organisational input from the private sector. The job-scoring rate of participants on the apprenticeship scheme was in fact remarkably good, with 75 per cent gaining not simply jobs, but an actual work contract compared with 56 per cent in the group of control (and with rates of 67 per cent in programme group and 61 per cent in control group, respectively, on the YTS). Despite the YTS being designed specifically for marginal youth, the AA had a greater participation of youths from the three lowest income brackets – 34 per cent compared with 25 per cent on the YTS. The formal value of the work contracts subsequently gained on the AA was also better, with 91 per cent of participants on the apprenticeship scheme having a form of social security affiliation, compared with 70 per cent on the YTS. Nevertheless, it indeed would be odd if the AA programme had escaped the underlying institutional weaknesses so manifest on the larger youth training scheme. The weakness of institutional links in the former is expressed in the fact that as many as 42 per cent of participants found apprenticeship in the firm insufficiently related to the theoretical part of their course. SENCE, with the Education Ministry, had taken some initiative to remedy faults like these, by starting in 1994 a programme of educating workers appointed by companies, as a species of foreman (*maestro-guía*), to take charge of apprenticeship in the firm. On the whole, however, such efforts have failed to characterise training provision on a significant scale, with AA representing 132 in a total of 6,576 courses for *youth* alone, financed by SENCE in the years of 1994–95.

As we have argued, for occupational citizenship it is not simply the level of skill content that matters but also the inter-spatial recognition that the work experience gained acquires, as well as the linkage to a potential

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from the entrepreneurial community of authoritarian reversals (*El Mercurio*, 26 November 1991). From a ministerial inquiry it was found that roughly 80 per cent of the establishments had no links with firms, despite the clear stipulation in the leases to that effect. Uncertainty lasted only a few days, however, and the leases were renewed.

future up-grading of skills that it is able to claim. In fact, the YTS as well as the FCJ were not designated to qualify the participants for other mainstream training or educational options. This is likely to be a source of frustration for the participants, who would find the certificate from a course designed for young people with ‘social-psychological problems’ difficult to trade in the labour market. In that sense the YTS did not raise the participants’ level of developmental freedom, but simply gave them a temporary taste of a world they were unlikely to enter, of long-term and formalised work. Nevertheless, entering a regular occupational stream was expressedly what a majority of the participants had wanted, with 59 per cent of them having ingressed on the programme with the wish to ‘learn a trade’, with the next-largest category, ‘to have better possibilities to get waged work’, at only 28.6 per cent.

Youth unemployment continued to rise in relative terms throughout the 1990s, remaining at 14 per cent whilst total unemployment fell between 1988 and 1996, from 6.3 to 5.4 per cent, and then rising to 21.9, while national unemployment rose to 6.9 in 1998.<sup>102</sup> This bleak picture makes the YTS job-scoring rate of 55 per cent appear impressive. Yet when deducting the 41 per cent in the control group which got jobs as well (in addition to the substantial group of deserters – around 20 per cent on the YTS) the result is distinctly unimpressive. It compares with 90 per cent who found jobs after training in Korea (on courses with virtually no desertion).<sup>103</sup> The official figures on job-scoring rates in Chile only register how far participants stayed on after training in an immediate sense, and the focus of official reports on ‘staying on’ in the same establishment fails to address the crucial mobility issue as well as the question of the nature of the contracts that the young people continue on.

The YTS could hardly qualify even as a poverty programme. Labour Ministry figures show that only 30 per cent of participants came from the three lowest income-quintiles for which the programme was intended at first. Of the participants 55 per cent were over 20 and generally well-educated; 54 per cent had completed secondary education, and 28 per cent had a job before starting, all facts which diminish further the value of the job-scoring rates cited above. The labour ministry had described the objective of the youth programme within the terms of socialisation, as ‘a preparation to enter the labour market’, a ‘chance to become familiar with ‘the discipline of the work-place’. Indeed, as it was put, ‘The Programme is not based on the presumption that the young people will actually find work.’<sup>104</sup> This seems to be a truthful and fair description of the programme, though it also reveals that it cannot be described as an

<sup>102</sup> Third quarter, INE, Chile, 1998.      <sup>103</sup> Y-b. Park, *State Regulation...* p. 159.

<sup>104</sup> Interview with high-placed official in the Labour Ministry (Santiago, 26 March 1992).

exercise in skill formation, in institution-building or in the advancement of workers' property rights.

*The politics of unemployment benefit reform and the 1997 (PROTRAC) proposal*

The project of an unemployment insurance regime (henceforth UIR) in Chile is as yet unfinished, with the government's 1998 proposal in parliament still. Yet the very potential for institutional coordination which the scheme implies makes it an interesting case. It is relevant to the points we have raised at an earlier stage, even when its objectives are understood in the narrowest sense. Unemployment insurance schemes are not designed in themselves to tackle structural unemployment or long-term social exclusion, even in the advanced welfare states, so to criticise the coverage of the scheme from this angle would be inappropriate. A critique focussed directly on excluded sectors also makes less sense in Chile (compared with other Latin American countries), given the marked trend towards formalisation, albeit of precarious jobs. This suggests once more, that the main challenge lies in making labour mobility more like the efficient flexibility variant, and hence more compatible with an up-grading of the quality of jobs.<sup>105</sup> The specific questions that need to be addressed therefore include, (i) the coverage of included sectors, (ii) the potential for a future extension of membership, and, (iii) the prospects for enhancing labour's property rights through organisational innovation, such as through the nature of institutional links to existing labour market institutions in the area of training and job-relocation.

In 1992, the unemployed person received roughly 27.5 per cent of the minimum wage through a state subsidy, falling to 14 per cent at the end of the full coverage year. The lynch-pin of the new reform, however, centred on the replacement of the existing indemnity scheme which employers alone financed. According to the 1997 proposal, compulsory membership (by newly contracted workers) would consist of contributions towards individual accounts of 0.8 per cent and 3.6 per cent respectively of an individual's salary by the employee and employer per month for a period of 11 years. The plan was that with these contributions, benefits of an equivalent of around 50 per cent of the monthly salary could be paid out for one month per year of service (to a maximum of five months), after one year and regardless of the cause of leaving the firm. If the employee was sacked under the articles claiming 'necessities of the firm', he or she would be entitled to the full indemnity operating under

<sup>105</sup> For a comparison with other Latin American countries, see Tardanico *et al.*, 'Global Restructuring...'.

the existing indemnity system, the difference being paid by the employer, whereas the state would bail out individuals unable to gather a descending percentage of the minimum wage (starting with 70 per cent in the first month, and terminating in 50 per cent in the fifth).<sup>106</sup>

In immediate financial terms, the scheme represented a fall in benefits (not counting own contributions) for the majority of workers, namely those dismissed under the general clause of ‘necessities of the firm’.<sup>107</sup> For workers leaving for other reasons, it represented a financial gain, through the right to withdraw the employer’s contribution towards the award of 50 per cent of the monthly wage. For workers in short-term employment, streamlining of the system entailed a loss of benefits, compared with the earlier formula.<sup>108</sup> In the end, relative financial gains or losses would depend on how far employers were to compensate by lowering wages for the introduction of the scheme. This was a possibility that even the tightening of labour markets in Chile would allow due to the low negotiating power of workers either collectively (through unions) or individually (through fully certified skills).

On the other hand, it is clear that the financial structure of the new UBR would lower transaction costs relative to the earlier scheme. The spread of costs to employers over time would make it attractive to firms, and therefore compatible with an overall trend of formalisation of work. This would favour the inclusiveness of the scheme. Flexibility would be further increased through the lowering of the cost of dismissal under the ‘necessities of the firm’ clause, although this might not be beneficial to workers, depending on how firings are used in the firm (see notes 40 and 41 above) and on how far their property rights outside the firm would be enhanced. In respect to the latter, the UBR did represent an improvement in important ways, by levelling out the means of effective movement, at least in principle, to cover workers voluntarily leaving employment, or who are sacked with clauses imputing fault.<sup>109</sup>

These positive points notwithstanding, it is clear that the extent of the flexibility gain to workers depends on how far the system’s coverage, and links to other institutions would maintain occupational continuity overall. In respect to coverage even for the workers in the best possible category, namely those in stable and formal employment, it would seem that the

<sup>106</sup> *Proyecto de Ley Sobre Sistema de Protección al Trabajador Cesante (PROTRAC)*, 7 July 1997.

<sup>107</sup> This can be seen by comparing columns 1 and 3.i in Table A 7. This kind of dismissal represented over 50 per cent of terminations throughout the period. See L. Haagh, ‘Re-Democratisation...’, pp. 217–18.

<sup>108</sup> Compare also with column 4 (the 1993 proposal) in Table A 7.

<sup>109</sup> The usage of which had increased after the 1990–91 reforms. See, L. Haagh, ‘Re-Democratisation...’ pp. 214–16.

new system did not significantly improve on the old because it would still take five years of employment to reach the coverage of five months unemployment which is deemed to be the adequate term. The assumption of a five-year average job span, with a five-month relocation period, is based on a scenario of continued employment growth, and in any case is still inadequate for those who leave their employment after less than five years.<sup>110</sup> This suggests that the scheme would have to be based on larger contributions, or on additional resources through a common fund, possibly with some fiscal support, if it were to actually enable the individual to withstand even the conjunctural unemployment associated with minor economic adjustments.

It is interesting to compare in this respect with the 1993 proposed scheme which did contemplate more substantial earlier benefits,<sup>111</sup> but was ditched in part because a loan scheme was opposed by unions, and greater coordination with a fiscal alternative, as well as too wide changes to the operation of the AFPs, opposed by business groups.<sup>112</sup> This illustrates one of the most paradoxical aspects of the Chilean situation. On the one hand, the very strength and transparency of the social insurance institutions could make the future inclusion of some excluded sectors, such as fixed-term contract and domestic workers, possible. On the other hand, the resistance to information-sharing and coordination with representative bodies in the public or social sectors, would be likely to impede such a move. Over more, it is not the absence of institutional capital but the collective action problem, the weakness of institutional links, which explains the poverty of IC and NTIs in the Chilean case.<sup>113</sup>

Hence, as in the case of the SENCE programmes, the most important criticism that must be made of the UBR concerns the prospects for linkage to other labour market institutions and programmes. Moreover in countries like Chile, where conjunctural and cyclical unemployment are more likely to become a structural variant, such institutional linkages may have a special importance. The legislative proposal did envisage a preferential access for adherents to the existing grant scheme but we should remember how small its resources were, and how weak the certification of skills in Chile remained. It remains to be seen, indeed, how far the hundreds of thousands of users of the new UBR would be accommodated within SENCE, when the institution still budgeted over 90 per cent of its total funds to the tax rebate scheme. It also remained to

<sup>110</sup> In the survey of unionised industrial firms, where employment stability may be presumed to be relatively greater, the approximate average was three years (note 17 above).

<sup>111</sup> See Table A 7 in the Appendix.

<sup>112</sup> The rows under 4 in Table 7 A illustrate the different range of accounts.

<sup>113</sup> Which the World Bank ('Development Report – 1997, p. 73) sees as the key impediment.



be seen how far the new declaration of unemployment with the municipally-run employment scheme (*Sistema Nacional de Información y Orientación Ocupacional*, article 26) would overcome the problems described in running the municipal offices jointly with business in a coordinated relocation campaign. In short whereas the UBR created a basic institutional framework for administering the property rights of labour, the training system continued to situate the property rights over skills in firms, hence limiting the extent of institutional linkage that the system would in reality be able to foster.

Moreover, it needs to be noted that the AFPs already had a shameful record of non-payment (by employers) of contributions from workers, and the new legislative proposal, although it raised workers' entitlement to take action against such offenses, did not specify the role of the state or specific agencies in speeding up possible claims. The Chilean Labour Inspectorate is notorious for its inadequate resources in policing the existing body of law.<sup>114</sup> Finally, the provision of state finance for low income workers was but the lowest common denominator in terms of what could be agreed between the labour and the business sectors. It represented an increase in the previous benefit in the short term (extended only to five months), but hardly compensated for the abandonment of earlier plans (implicit in the 1993 proposals) to finance a common fund with resources for training purposes or, as the CUT had proposed, to make sure that job-relocation and training were given a regional and/or sectoral focus.<sup>115</sup> Such plans had initially led the CUT to oppose handing over the running of the UBR to the AFPs,<sup>116</sup> and indeed indications from entrepreneurial leaders from an early stage were that a strong and vocal political resistance would be mounted to any joint administration, and to any increase in costs to either employers or to the state.<sup>117</sup> Given the government's general emphasis on consensus politics, it is inconceivable that it would have wanted to promote a system which faced strong opposition from business groups.

<sup>114</sup> Chile had, in 1992, roughly 250,000 cases of arrears on workers' AFP contributions by employers, 70,000 of which were stranded in the courts. Roughly an additional one million were 'phantom' registrars, with no record of payment.

<sup>115</sup> Interviews with Raúl Requena, head of the CUT's Socio-Economic Commission (Santiago, 24 July 1992), Adolfo Arrieta, economic advisor in CIASI (Santiago, 7 April 1992), CIASI, '*Seguro de cesantía: elementos de la propuesta CUT*' (Santiago, 1992), pp. 3–4, and CIASI, '*Comentarios a la propuesta sobre seguro de desempleo de la CPC*' (Santiago, 31 September 1991), p. 3.

<sup>116</sup> *El Diario Financiero*, 7 and 22 September 1993.

<sup>117</sup> According to the President of the AFP Habitat (linked to the construction sector), the AFPs should be permitted to run the administration of the system 'from day one'. *El Diario Financiero*, 9 September 1993.

*Conclusion*

This article has identified some problems in the Chilean training system in which the strengthening of labour's property rights might make a difference, through the development and extension of institutional links. The supposition was made that if workers were provided with the means to control their own movement (through tradeable qualifications and unemployment insurance) it is realistic to expect that they would be more able to influence how human resources are used in firms. A deepening of the training system would cultivate the collective obligations of firms, and so, occupational policies were of significance to both of the elements of occupational citizenship and to developmental efforts in Chile. However, the earlier evolution of the social institutions relevant to the development of human resources made any moves in a reformist direction extremely difficult to pursue. Moreover, there was a close relationship between how (inter-firm) markets in skills operated to constrain investments in workers, on the one hand, and the social institutional barriers that existed at the level of firms, on the other. Among the latter the relationship between precariousness in the organisation of work and investments in skills, the barriers to voice on workers' training and the particular use of collective contracts, as well as the weak development of technical personnel to undertake apprenticeship and the bias of tax incentives targeting firms have been highlighted. Finally, the weakness of local unions established after 1979 and also of those unions (the great majority) which were not covered by sectoral accords should be taken into account. Whereas labour relations have historically been decentralised in Chile, the strong emphasis on individual contracting after 1973, and particularly after 1979, forcefully constrained the development of a constructive role for unions even at the level of firms.

On the other hand, we have found that a pervasive legacy of ideological polarisation and institutional inertia had hardened the perceptions of what ought to be done by the state authorities and by institutions in the private sector. For example, the idea that the training had to be done by the latter was not distinguished from the question of where the authority over selection might possibly lie. In short, whereas the military regime in Chile had consolidated and regulated markets in a range of service domains, the specification of property rights, and hence the civilisation of markets, had hardly penetrated the sphere of labour, and specifically that of its skills.

Initiatives such as the youth scheme suggested that democracy had brought with it at least an effort to reassert the authority of the state in the areas, such as the markets in skills, where it had been wanting before. Most importantly, this programme was focused directly on individual

workers and had the potential to upgrade the definition and protection of workers' property rights. Nevertheless, it combined elements of targeting with elements of non-intervention in an unfortunate manner. It is arguable that the manner of focusing on youth was inadequate, whereas the intention to be 'market neutral' was ill-conceived because it meant that the occupational aspects of the YTS responded to neither local demand for skills nor to criteria of productive transformation. The 'universal and uniform' bias of the TRS had reproduced one of the more troublesome precepts of the Beveridge model (that all should benefit from the same share of state subsidy, regardless of income and situation), within a context of social disparity to which it was especially unsuited. The TRS was selective in a way which ought to concern policy-makers but the selection was located not in accountable institutions, but in some unidentified part of the PTC sector. The cutting to insignificance of the grant scheme, and its lack of replacement had slashed the only options which involved a direct role for public bureaucracy at local level.

The case of a UBR has been analysed separately because it represented a direct advance towards occupational citizenship, by departing from the position of the individual as he or she faced the situation of exclusion from the employment order. In that sense it could be seen as consistent with the liberal ideal of focusing on the individual. And yet in doing so it exposed the flaws in this ideal when it is understood in a rigid sense, that is, in its extreme form. In other words, it was admissible from the perspective of policy-makers and the entrepreneurial community to individualise the contributions and benefits from a UBR, but it was not acceptable to combine de-centralisation in this form with the establishment of national institutions to coordinate labour market services which would effectively promote this individuals' property rights.

It was not always clear whether the CUT's proposals were opposed for ideological or practical reasons. In the case of the transition governments it was probably a mixture of both, because the PTC and social insurance systems had arguably matured from being simply ideological inventions, to becoming forces of institutional inertia in their own right. It could be argued that the perception of performance mattered so much to policy-makers that a decision between reformism and public profile had been settled long before it was formulated as an actual choice. Indeed, it remains an open question whether the labour market programmes of the *Concertación*, like the other labour market reforms, overcame or consolidated the legacies of the authoritarian decades.

*Appendix one*Table A 1. *Between-firm and in-firm aspects of occupational citizenship which are mutually reinforcing*

Occupational citizenship	
Between-firm aspects	In-firm aspects
Access to training	Low vulnerability of individual worker to regime of high turnover in the firm, and hence less subordinate position in the authority relation with employer (more voice)
Property right in gained skills/experience	Empowering of union/workers' committee to bargain/consult on matters of training*
Real opportunities for re-entry to labour market, through (adjustable/flexible) membership of occupational stream/streams	An increase in the voice of individual workers/union (through effective exit rights and access to flexibility) to enter into bargaining strategies to promote, and shape the contents of, long-term association with the firm (for example how to distribute the effects of economic downturns, how to reward higher profits, reorganise work, etc.)
Form of income security	
Continuity in social security	

Table A 2. *Details relating to sample universe\**

Union classifications	Number of unions	Sectors by classification of CIU
Number of Chilean union – end 1991	9,858	—
Number of Chilean unions† (Labour Ministry records. – 26 June 1992)	8,490	
Number of firm unions‡	5,569	
Number of industrial unions	2,045	
Number of industrial firm unions§	1,922	
Core universe		—
Selected sectors of industrial firm unions	1,447	Fruit, vegetable and fishing industries (24 cases) Bakery industry (22 cases) Textiles and Confection industries (60 cases) Wood, Furniture, and Paper Industries (55 cases) Chemicals and related industries (25 cases) Metal industries (51 cases)
Sectors of industrial firm unions not in sample universe.	475	Meat and milk products, drink, tobacco, animals foods Leather, footwear and printing Glass and cement; Iron and steel, and various

\* It was decided to include only the most relevant industrial sectors, to represent at least 13 % of existing unions in each. Economic importance was the basic criteria for selection, with size of employment and/or the place of a given activity within dynamic export growth being the two key indicators. These would also be the areas where the development of human resources could be seen to be especially important.

† All subsequent figures are based on the list of firm unions printed on the 26 June 1992.

‡ These represented 65.6 % of all unions at the end of 1991. Our sample has 23 unions which are not of the firm type. The 22 bakery unions are inter-firm unions, and one union in the wood sector is an independent union. In practice, however, this does not mean so much, as most local bakery unions do negotiate key matters with their employer. Of independent unions, only 1.4 % are industrial.

§ 94 % of industrial unions were firm unions.

Table A 3. *Groups most affected by dismissals, according to Union Presidents*

Responses	Percentage	Frequency
Older workers	15.2	46
Young workers	25.8	78
Skilled workers	6.3	19
Un-skilled workers	11.3	34
Workers active in the union	9.9	30
There haven't been many dismissals	10.6	32
Other	13.9	42
NR/DK	7.0	21
Total	100.0	302

*Source:* Survey of union presidents (author, 1992).

Table A 4. *Labour turnover. Correlated with level of formalisation*

		Turnover – from high to low, 1–3†		
		(1) 46(%) (107 cases)	(2) 31(%) (72 cases)	(3) 23(%) (53 cases)
Chi squared				
– 2,529‡	Formalisation			
	1 (2) and formal wages (a) and contracts (b)*	18	50	62
	2 Owner is not or only partially involved in management and (a) or (b)	52	27	21
	3 None of the above	30	23	17
		= 100	= 100	= 100

\* (a) connotes the existence of a formal wage system in the firm, and (b) that more than 50% of workers have a formal contract.

† A proxy for turnover was defined as  $(y-x)/y$ , where  $x$  is the minimum number of workers which existed at any given time over the last two years, and  $y$  is the maximum of the number of such workers. The categorisation in the table is: (1) High = 30.1% <; (2) Medium = 10.1%–30%; (3) Low = > 10%.

‡ Indicates highly significant (below .01).

*Source:* Survey of Union Presidents, (author, 1992). See L. Haagh, 'Re-Democratisation...', pp. 330–4 for more detailed variable definitions.

Table A 5. Odds that training is high (depending on union age and type of bargaining instrument)

	Observed frequencies (%): Training			Total	Significance of logit models
	Odds†	High	Low		
Unions established before 1973 and using contracts	0.86	47	53	100%(86) cases	(1) Only legal instrument has an effect on training
conventions	0.94	48	52	100%(33) cases	(2) Only age of the union has an effect on training
Unions established after 1973 and using contracts	0.42	30	70	100% (64) cases	(3) Both have an effect which varies for each level of the other variable
conventions	0.17	14	86	100% (28) cases = (211) cases	

\* Significance: Below 0.05 is considered to be significant, and below 0.01 to be highly significant.

† The odds were extracted on the basis of the observed frequencies as follows: low training (> 9.99% of workforce)/high training (10% of workforce and <). Training is defined as the % of workers who have received training over the last two years.

Source: Survey of union presidents, (author, 1992). L. Haagh, 'Re-Democratisation...', pp. 333–4 for detailed variable definitions.

Table A 6. Question: Do workers have any influence on the selection of those who will benefit from training in the firm?

	Percentages	Frequencies
DK/DA*	2.7	7
Always	8.6	21
Sometimes	15.3	37
Never	46.0	113
There is no training in the firm	27.4	67
Total	100.0	245

\* Do not know/do not answer. Source: Survey of union presidents (author, 1992).



Table A 7. Comparison of old and new unemployment benefit/insurance schemes

Type scheme	Years of antiquity at the time of dismissal						
	1	2	3	5	7	9	11
	Rate of unemployment benefit received at the time of dismissal*						
1	1	2	3	5	7	9	11
2	1.8	2.8	3.8	5.8	7.8	9.8	11.8
3.i	0.82	1.64	2.45	4.09	5.73	7.36	9.00
3.ii	0.5	1	1.5	2.5	3.5	4.5	5.5
4	2.8	3.8	4.8	5.9	7.0	8.4	10.1
a	1.0	2.0	3.0	3.0	3.0	3.0	3.0
b	0.0	0.0	0.0	1.0	2.2	3.5	5.0
c	0.2	0.8	1.3	1.4	1.6	1.8	2.1
d	1.6	1.1	0.5	0.4	0.2	0	0
5‡	0.6	1.4	2.2	3.7	4.6	5.7	6.8

(1) Existing indemnity scheme (Financed exclusively by the employer).

(2) Existing, plus existing unemployment benefit.

(3) (i) 1997 proposed scheme. If dismissed by 'necessities of firm' clause. Employer contributions only.

(ii) 1997 scheme. Dismissal under other articles. Employer contributions only.

(4) 1993 proposed scheme, total according to Labour Ministry calculations. Components:

(a) Indemnity for years of service (up to three years maximum). One wage per year.

(b) Any-event sub-account (financed by employer between 3–10 years).

(c) Firing sub-account (financed by employer for first three years and by worker between 3–10 years).

(d) Credit (co-financed by workers in first 3 years and state contributions).

(5) 1993 proposed scheme calculated on the basis of employer and state contributions only.†

\* Measured in number of monthly wages.

† Low-income workers only.

‡ Exclusive contributions made by workers.

Source: Labour Ministry, Chile.