More specifically, the recession was manifested in a decline in housing construction (pacing the decline in immigration), a decline in the growth of public services, the completion of large projects such as the new Port of Ashdod and national water facilities, and some slowdown in industrial growth.

Anti-Recession Moves

Underemployment, as well as unemployment, has been a matter of concern to the government. It has been officially estimated that the problem affects from 10 to 15 percent of the labor force. One solution has been the stimulation of labor mobility. The Minister of Labor appointed an interdepartmental investigatory committee in May 1966. A number of the recommendations of this committee concerned social security. Among other things, it recommended that Histadrut (General Federation of Labor) be encouraged to adopt a unified pension system and to sign agreements to ensure the free transfer of full pension rights, so that the worker would lose none of his accrued rights by moving from one pension fund to another. In general, the committee proposed investigation of the possibility of introducing a single comprehensive pension scheme to cover all workers. It also recommended that the severance pay law be amended to safeguard accrued severance pay for workers moving from one job to another, to include severance pay in a comprehensive pension system, and to make health payments transferable.

A second move involved the creation, in April 1967, of means-tested unemployment grants for able-bodied persons aged 21-65 seeking employment. The grants, which were to supplement the work relief program, generally excluded owners of farms. A 4-month waiting period was required for persons who were not salaried workers or were not registered with the labor exchange as of January 1, 1967.

Debate has centered on the establishment of unemployment insurance by law. At the present time, the Minister of Labor and Histadrut do not favor such a move, although they do not oppose it in principle. Opposition has generally been on the grounds that unemployment insurance would be costly and that it might lead to a weakening of the policy to direct all able-bodied individuals to productive labor. At hearings of a parliamentary committee on proposals to establish a system by law, Histadrut's position was that if unemployment insurance were adopted at some future time it should include the following provisions:

1. financing by the government to maintain flexibility during periods of unemployment and to permit a freeze during periods of more than full employment, or, alternatively, tripartite financing;
2. linkage of unemployment insurance rates to wage rates for relief work rather than to previous wages during employment; and
3. payments of benefits only when the government is unable to provide work or an unemployed person is unable to work.

Extension of Social Security Coverage in Chile

The Chilean Congress passed legislation early in 1968 to (1) extend the coverage of work-accident and occupational illness insurance and (2) authorize the establishment of a new health insurance program for salaried employees in the public and private sectors. Both measures were introduced in Congress several years ago and enacted only after considerable discussion. The first law extends coverage for work injuries to virtually the entire labor force; the second covers one-half or more of medical costs and introduces sick pay for salaried employees.

WORK-ACCIDENT AND OCCUPATIONAL DISEASE INSURANCE

The new law establishing work-accident and occupational disease insurance, signed January 23, 1968, provides for compulsory coverage of all wage earners and salaried employees, including domestic servants and apprentices. It replaces the voluntary work-injury law of 1931 for employed persons which covered only 29.5 percent of the working population subject to social security (34.5 percent of the wage earners and 10.6 percent of the salaried employees).

The President of Chile has 1 year in which to
issue an implementing decree outlining the financing and conditions under which certain other groups may affiliate—special groups of government employees (civil service and municipal), and leaders of labor unions and of the Central Labor Confederation. Students employed part time and the self-employed may also affiliate, but no time limit has been established for their incorporation.

The new law defines work accidents as those experienced by an individual while he is performing his job or those caused by the nature of the occupation that result in partial or total disability or death. Accidents that occur during travel between home and the place of work and accidents suffered by labor leaders when they are discharging their obligations are also included.

Administration

The obligatory insurance program will be managed by the Social Insurance Service (Servicio de Seguro Social), by other social security funds, and by employers' non-profit mutual insurance companies. The Social Insurance Service is the largest social security fund in Chile and covers 71 percent of all participants in the social security system, primarily wage or blue-collar workers.

The National Health Service (Servicio Nacional de Salud) will provide medical services for covered workers as required and will be reimbursed by the social security funds. Funds, personnel, and equipment of the Work-Accident Fund (which previously administered the voluntary work-injury law) will be transferred to either the Social Insurance Service or the National Health Service.

The President may authorize the establishment of company or industrywide nonprofit mutual insurance companies when an employer or group of employers has a combined total of at least 20,000 workers in permanent positions and are able to meet certain other prescribed conditions.

Financial and Benefits

The cost of the new program will be financed by employer contributions, as it was under the voluntary work-injury law. These contributions will range up to 5 percent of taxable wages and salaries, depending upon the type of activity and the accident risk of the employing institution.

The amount of the benefit varies in relation to the seriousness and permanence of the accident or disease. There is no minimum qualifying period. Temporarily disabled workers receive 85 percent of earnings on which contributions were assessed, payable from the day of injury for up to 1 year and subject to an extension of as much as 12 additional months if necessary. For permanent partial disability (of 15-40 percent), the worker receives a lump-sum payment of no more than 15 times his "basic monthly wage"* and no less than half a monthly "living wage." If the wage loss resulting from partial disablement is at least 40 percent but less than 70 percent, the injured person will receive in addition a pension equal to 55 percent of his basic monthly wage. A totally disabled worker receives a permanent disability pension equal to 70 percent of his base wage, or 100 percent plus an additional bonus of 30 percent of his basic monthly wage if totally disabled and if requiring care by another person. Benefits also include free medical services, drugs, appliances, and occupational retraining.

In the event of a fatal accident, the pension of the surviving spouse, aged 45 or over, is equal to half the basic pension that the deceased would have been entitled to if he or she had been totally incapacitated. A widow under age 45 receives a pension at this same rate for a year and may have her pension extended beyond this period as long as she is caring for her legitimate minor children and qualifies for a family allowance. Each surviving child under age 18 (up to age 23 for a student) is entitled to a benefit equal to 20 percent of the basic pension the deceased would have received if he had been totally incapacitated.

*The "basic monthly wage" of an insured period is obtained by dividing by 60 the total wages, earnings, and daily benefits on which contributions have been paid during 5 calendar years preceding the date of the casualty. For periods of less than 5 years, the figure is obtained by dividing the total wages, earnings, and daily benefits on which contributions were paid by the number of months between registration and the casualty.

A "living wage" is defined as the minimum earnings that a salaried worker needs to provide the necessities of life, including food, clothing, and shelter, and to cover his compulsory contributions under the social security laws. The amount is determined annually by a commission on wages.
Full orphans receive a pension equal to 30 percent of this amount. There is also a funeral grant equal to two monthly “living wages” of the Department of Santiago.

HEALTH INSURANCE FOR SALARIED EMPLOYEES

A law creating government-sponsored health insurance for public and private salaried employees and their dependents was signed on March 26, 1968. Originally, the bill was introduced in the congress in September 1964. The new program and the Medical Assistance Fund created under the law will be administered by a new entity to be known as the Employees National Medical Service (Servicio Medico Nacional de Empleados or SERMENA).

Background

Salaried employees in Chile have heretofore received no cash benefits under the sickness insurance program of the social security system. Except for tuberculosis, syphilis, heart disease, and cancer, medical benefits were limited to preventive and curative services under the Preventive Medicine Law of 1937. Those suffering from a nonstatutory disease were, however, referred to a personal physician for the necessary care but received no social security benefit if hospitalization was required.

Under the 1952 law establishing the National Health Service, the President was given authority to incorporate additional beneficiary groups into the National Health Service program by executive decree. No such action has been taken, however, mainly because of objections from affected groups. The salaried employees have resisted any health insurance plan that would bring them into a program with the blue-collar workers, and the medical profession has also posed objections. The new law represents a compromise to satisfy these objections.

Financing and Benefits

The Medical Assistance Fund established under the law will be financed from four sources: (1) contributions from employees equal to 1 percent of their salaries; (2) matching contributions from employers; (3) contributions from retired persons equal to 1 percent of their pensions; (4) contributions from the pension fund equal to 2 percent of retirement benefits paid each year, and (5) interest, dividends, rents, etc. produced by investments of the fund. Additional users’ charges may also be levied on beneficiaries to cover any differences between receipts and expenditures of the fund.

Only those physicians with 6 hours of daily salaried employment in a public sector institution (excluding the Employees National Medical Service) can provide medical services to the beneficiaries. In effect, then, only doctors working for the National Health Service will be able to provide medical services under the law. Reimbursement of fees will be based on minimum fee schedules established by each professional association.

Salaried employees earning less than two monthly “living wages” will be reimbursed for 70 percent of their medical costs; those earning more than two monthly “living wages” will be reimbursed for 50 percent. To help beneficiaries meet their share of the cost of medical benefits received they may apply to the fund for loans up to 1 year at no interest. The Employees National Medical Service will pay a beneficiary a subsidy of up to 85 percent of his average taxable salary for the past 6 months while he is on sick leave for a curable illness not covered under the law. Sick pay is normally paid for a maximum of 12 months but may be extended for an additional 6 months.

Canadian Medical Care Insurance Inaugurated

The national program for medical care insurance that went into effect in Canada on July 1, 1968, will apply initially to Saskatchewan and British Columbia, thus covering about 15 percent of the country’s 20 million inhabitants. Of the 10 Provinces, only these two had on-going programs that met the conditions for participation in the Federal-Provincial plan, originally passed by Parliament in December 1966.

Under the new program the Federal Government will contribute approximately half the cost