Comparison of the Costa Rican and Chilean Model for Old-Age Social Security: Is One More Gender Equitable than the Other?

Paper presented at the RC 19 Annual Conference on Social Policy in a Globalizing World: Developing a North-South Dialogue - at the University of Florence, Italy, September 6 – 8, 2007

Monica Budowski*

University of Fribourg

Department of Social Work and Social Policy

Rte des Bonnesfontaines 11

1700 Fribourg

monica.budowski@unifr.ch

* with Mirjam Bousehba-Rotzler, Lucia Lanfranconi, Maya Rohner and Michael Walther

Table of Contents

Abstract

Comparative research on gender and social security in developing countries faces two major shortcomings: first, the analytical frameworks in relation to social policies and social security institutions developed so far reflect a particular Western perspective, discarding important models developed in other parts of the world (Gough, Woods et al. 2004; Kenneth 2004); secondly, scholars have only recently begun to incorporate gender into the core analytical concepts and (even) these approaches have remained marginal (Orloff 1993; Sainsbury 1994, 1999, 1996). The aim of this article is to focus on these two shortcomings by analyzing the multi-pillar pension models of Chile and Costa Rica from a gendered perspective; during the 1990s, the former was a model case for Latin America, whereas the latter is perceived as potentially becoming one.

Analyzing whether one model may prove to be more gender equitable than the other, requires an analytical framework incorporating three major perspectives: 1) All institutions involved in the provision of old age social security (i.e. state, market, community and family) are considered, building on implicit values of domains and the division of labor which result in particular dependencies among men and women and on to the state. 2) The different pillars are characterized (i.e. entitlements, benefits, coverage and financing) separately and compared to each other in terms of relative importance, thereby revealing the gendered structure of multi-pillar pension models. 3) Institutional contexts (i.e. labor markets, demographic trends, societal socio-economic structures and political participation), which impact on the distribution of privileges and disadvantages between men and women, are considered.

The analysis is based on sociological and partly economic literature and secondary data available from the two countries. Results provide a complex picture, as theoretical considerations and empirical assessments do not correspond entirely. Both pension models have their strengths and weaknesses: whereas the Costa Rican model design is considered more gender equitable, the Chilean model performs better according to certain indicators. However, the unequal time over which the two multi-pillar pension models have been in existence makes them difficult to compare regarding the outcome variables.

1. Introduction

Comparative research on gender and social security in developing countries faces two major shortcomings: firstly, the analytical frameworks developed so far concerning social policies and institutions for social security reflect a particular Western perspective discarding important models developed in other parts (Gough et. al. 2004; Kenneth 2004); secondly, scholars have only recently begun to incorporate gender into the core concepts and these approaches still remain marginal (Orloff 1993; Sainsbury 1994, 1996, 1999; Bertranou and Arenas de Mesa 2003; Giménez 2005; Marco 2004). The aim of this article is to focus on these two shortcomings, by analyzing reformed old age pension models in Chile (1981) and Costa Rica (2005) from a gendered perspective.

Old age pension models can be assessed from different perspectives. Following Ghai, we consider them as one component of overall social security that he defines as "the arrangements a society makes to meet the essential subsistence needs and contingencies of its members (to) constitute its social security system… (N)eeds' and ‚contingencies', and the exact nature of arrangements to address them have differed from one society to another and have evolved over time. These arrangements reflect not only the values, beliefs and customs of a people but also their economic systems, social structures and political institutions" (Ghai 2002:1). Given that the majority of people in developing countries are not covered by state-legislated institutional provision, various other social arrangements provide for old age: the family, private providers (non governmental organizations – NGOs), community arrangements or the market (private insurance, pensions or other benefits from private enterprises for their employees, e.g. housing) (Willmore 2007; Lund and Srinivas 2005). Among these, the most important institution providing for old age is the family (care, food and shelter). It is beyond the scope of this article to consider all forms of arrangement, hence we concentrate on the models of the legislated pension institutions, taking into account prevailing gender roles and the division of labor in the family, household, and society.

Chile and Costa Rica represent two case models in Latin America (reasons are presented in section 2). Our interest is to better understand whether one model is more gender "equitable" than the other. "Equitable" refers to whether disadvantages or benefits are distributed evenly among men and women under the pension models, resulting in a reduction of gender inequalities in old age.

A gender perspective aims at detecting the sources of gender inequalities in the pension models. It requires, firstly, looking at the social distribution of care, reflecting a particular division of labor between women and men, an essential step in understanding the underlying assumptions of social security programs and its consequences for women (Giménez 2005:13).

Secondly, it requires looking at which institutions – family, community, market and state – are involved in the provision of old age security and how these are organized. Building on the typologies of Esping-Andersen (Esping-Andersen 1990) and Korpi and Palme (1998), against the background of Gough's "informal insecurity regime" (Gough et. al. 2004), we analyze the underlying premises of the state legislated models, their structure, their organizational principles, their mode of access (basis for entitlement) and benefits.

Thirdly, it requires making explicit the underlying premises and logic of the range of arguments on the issue as these translate into the design of the policy measures. Notions of equity vary according to different bodies of literature: the sociological body of sociology literature is concerned with the production and structure of provision for old age poverty, deprivation and other risks of old age (Ghai's approach 2002), its (social) outcomes and consequences as well as with the reproduction and/ or transformation of these arrangements (Korpi et. al. 1998). Notions of equity and fairness are associated with equal chances to provide for subsistence needs (however broad these may be defined) and contingencies (Gil 1992 [1973]). Consequently, assessment criteria are based on issues such as resource redistribution, social inequalities, discrimination, fulfillment of basic human needs or citizenship.

In contrast, the body of economics literature on pension institutions focuses on economic viability, consequences for the economy in general, financial sustainability, incentives to enter the labor market and consequently on the extent and level of contributions. It often applies an insurance perspective and is based on actuarial argumentation closely linking contribution and benefit. Ideas concerning "equity" pertain to input-output, economic feasibility, sustainability, savings and an economic growth logic. Evaluation criteria are insurance-based and emphasize lifetime benefits, actuarial fairness, or consumption outcomes.

In the next section, we justify the choice of Chile and Costa Rica and discuss our methodological approach and the data we used (section 2). In section 3, we develop the analytical framework for comparing pension models in developing countries from a gender perspective. Sections 4 and 5 contain the country case studies of the pension model. We attempt to answer our question "is one more gender equitable than another?" by comparing the two models in section 6 and draw our conclusions in section 7.

2. Chile and Costa Rica: two model cases

2.1. Country selection

Both Chile and Costa Rica have a longstanding but different history of developing welfare institutions, dating back respectively to the 1920s and 1940s. This is partly due to differences between Chile and Costa Rica: Chile was rich in natural resources, Costa Rica poor in that respect. Costa Rica was largely dependent on agriculture. Such differences influence the structure of the labor market in general and impact on the (gendered) coverage of social security (first implemented in the formal and industrialized sector)[1]. Despite these differences, social security was institutionalized successfully early on and is often seen to be a factor for the similarly high human development indexes (international rank in 2004: Chile 38, Costa Rica 48, see UNDP 2006), suggesting that "policies matter".

Until the 1970s, Chile and Costa Rica successively enlarged social provisions and established rather extensive welfare regimes. Both countries managed to balance social and economic goals well and achieved good performance in both. Before its reforms in 1981, Chile's various pension programs covered 61% of the economically active population, and 68% of the employed (Mesa-Lago, Arenas de Mesa et al. 2000:167), providing a fairly broad safety net. It further represented a rather gender equitable model (Arenas de Mesa and Montecinos 1999). Costa Rica, as a much poorer country having implemented obligatory old age social security as

[1] Today, small and middle-size properties still make up a larger share of the agricultural sector in Costa Rica than in Chile. Social security coverage is lower under in this type of structure than in the large-size organized agro-industry. Differences in wealth are still visible today: in 1999, Chile and Costa Rica had an annual GDP per capita of USD 5'129 and 3'706 respectively (ECLAC 2002:19); the Gini index was 55 in Chile (2003), while in Costa Rica (2002) it was 49 (CEPAL 2006b). For Latin American standards both countries have a high mean educational level: Chile 9.9 mean years of schooling; Costa Rica 7.5 years (ECLAC 2002).

late as 1947 for urban employees and having extended it to a wider section of the population in 1961 (CCSS n.d.), had a coverage rate of 51% of the economically active population in 1980 (Mesa-Lago et. al. 2000:532).

As a result of the world economic crisis of the 1970s and 1980s, Latin America was forced to implement economic and structural adjustments in order to open up their economies. Chile and Costa Rica followed very different reform paths.

Chile pioneered liberalizing and privatizing social security by introducing “the most radical example of the neo-liberal market model” (Mesa-Lago 2002:3). In 1981, the authoritarian regime of Pinochet (1973-1989) substituted the public pension system by a private, fully funded system linking closely contributions and benefits (“substitution model”)[2]. It is based on individual capitalization only, depending solely on the individual’s saving capacity and choice of pension fund. The state reduced its own responsibility and social solidarity as well as that of employers to contribute to social security drastically. The state remained active in terms of legislation, financing those having remained in the old system, guaranteeing minimal pensions and providing social assistance (Bertranou 2006). Social policy programs aimed at mothers and children to mitigated the effects for women in a paternalistic way. In the 1990s, the World Bank promoted Chile’s pension model throughout Latin America. By the mid 2000, ten countries in Latin America had gone through substantial pension reforms, adapting different elements of the Chilean model (Mesa-Lago 2002:8-9; World Bank 1994).

In contrast to Chile, Costa Rica, building on an elaborate and continuous democracy and in need of consensus to implement changes, followed a moderate path even during the structural adjustment programs. Only gradually were structural deficits reduced and liberalization reforms implemented. Social policy programs complemented such adjustments to maintain the country’s social achievements (Mesa-Lago 2002:3; Suter and Budowski forthcoming:21). The reform process leading to the definite design of the pension model included a wide range of societal actors and groups and ended in 2005. The Costa Rican answer of adapting the Chilean model to its own conditions was to complement the public by a private system, resulting in an encompassing multi-pillar model for old age provision. Adding a mandatory individual savings pillar linked contributions and benefits more tightly.

[2] All members of the old system could decide whether to remain in it or change to the new system. The old system was closed for all new entries.

While doing so, it did not renounce a solidarity and inclusive policy; defined contributions by employers and the state to these pillars were not terminated.

After returning to a democratic system at the beginning of the 1990s, Chile accepted and consequently legitimized the Pinochet's reforms without major changes. Since then, Chile is attempting to follow a more balanced "social market economy" approach (Mesa-Lago 2002:3). This has encouraged various authors to argue that the mixed model of Costa Rica has become the role model for social provision in general and old age security in particular (Gill, Packard et al. 2005; Martínez Franzoni 2005:31-32; Suter et. al. forthcoming:26).

The proposed comparison is particularly interesting from a gender perspective, to better understand whether the "role model shift" is conducive to gender equity or not.

2.2. Method and Data

Our aim is to provide an "evidence-informed" assessment of the two model cases with regard to gender equity. Sainsbury presents two types of comparative methodology: the "conventional approach of country by country descriptions" and the "profile" approach based on model or typical recipients (Bolderson 1988, cited in Sainsbury 1996:3). A gender perspective requires a combination of both the model and the context to be focus of analysis. The analytical framework developed below serves to interpret the country specific data and information. Data and information are derived from sociological and partly economic literature. Data from other sources are also used (the World Bank, the Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), the Asociación Internacional de Organismos Supervisiores (AIOS), the International Labor Organization, the United Nations Development Programme, UNSRID, CENDA, OIT, etc.)

3. Analytical frameworks for social policies and institutions of social security, in particular of old age pension systems

3.1. Social security in developing countries

Mainstream comparative and historical research on welfare states has developed various typologies. If welfare states are defined as states providing protection for a large part of their populations against individual unemployment, illness, old age, etc. in capitalist societies, then Latin American States cannot be conceptualized as such. Gough et al. (2004) recently developed a conceptual framework for analyzing provisions of social security in developing countries. Taking Esping-Anderson's 'welfare state regime' model (see below) as an ideal-type model for Western welfare states, he developed two additional ideal-type welfare regimes models: the 'informal security regimes' and the 'insecurity regimes' models. Scrutinizing these models in relation to the Latin American context, Barrientos (2004; Wood 2004:53) concludes that these states can be best characterized as 'informal welfare regimes'. This means that they are situated somewhere in between an ideal-typical welfare state and an informal security regime: they are characterized by conscious governmental attempts to mitigate the impact of market forces on the working classes. However, these "[f]ormal welfare institutions mainly cover workers in formal employment and their dependants, but these are increasingly a minority in Latin America" (Barrientos 2004:140). People in informal employment, amongst which women are the greater proportion, rely on community and family relationships in order to manage their social risks. In addition, under such regimes, benefit levels of state provisions (except for certain professional groups) are insufficient for subsistence and other sources of revenue have to be found.

Consequently, typologies developed for industrialized countries might provide useful elements for our analysis, as long as we keep in mind the above-mentioned variations. We review the feminist critique that is even more pertinent in the context of developing countries (Gough 2004:29) and develop a conceptual scheme to analyze the various institutions for old age security in Costa Rica and Chile from a gender perspective.

3.2. Mainstream comparative and historical research on welfare states

Esping-Anderson's (1990) typology of welfare state regimes is one of the most prominent analytical frameworks for assessing social policies. The power-resource school of analysis, to which he belongs, has a longstanding tradition in analyzing class struggles in relation to social policies, where power is located in the market for the capitalists and in political resources for the workers (Orloff 1993:307).

He characterizes welfare states according to the following three dimensions: a) different roles played by the market and the state in the provision of social security, b) different social citizenship rights that lead to different degrees of decommodification of labor, and c) different class stratification outcomes that may reproduce the regime. Based on these dimensions and its variations, Esping-Anderson identified three types of welfare regimes – liberal, conservative-corporative and social-democratic – characterizing the main ideological currents assumed to underlie them. Of interest to our case studies are the (informal)-liberal and the (informal-) social-democratic models, which roughly correspond to Chile and Costa Rica, respectively.[3]

Liberal regimes are characterized by a dualistic provision of social security: the market, which is perceived as the primary source of welfare, serves to privately manage social risks (i.e. private social insurance), whereas state intervention is limited to a minority which is not able to do so (i.e. social assistance). These regimes guarantee social citizenship rights based either on market participation or on (stigmatizing) means tests that consequently encourage social dualism (Orloff 1993:310-311). They differentiate between rights as contractual and earned as opposed to charity, unearned and stigmatizing (Fraser and Gordon 1994). These regimes are further characterized by the attribution of substantial responsibility to individuals and the value "freedom of choice". In contrast, social democratic regimes offer universalistic and comparatively generous state provisions in order to restrain market forces. These citizenship based regimes aim at the redistribution of privileges, which, consequently, encourages solidarity (Orloff 1993:310). The state takes over a certain degree of responsibility for its citizens.

[3] According to Gough (2004), we have to speak about Chile and Costa Rica as "informal" welfare regimes. However for reasons of readability, we keep the idea, but drop the prefix "informal".

Korpi and Palme (1998) developed a typology for analyzing institutional structures of social security programs. Based on three dimensions, they have delineated five different ideal types of institutional structure[4]: the targeted, voluntary state subsidized, corporatist, basic security, and encompassing model (1998:666-667). The targeted model is designed for the poor to receive a minimum benefit based on means testing, whereas all others citizens rely basically on private insurance. It resembles most to the Chilean pension model. The encompassing model is universalistic and inclusive for all citizens by combining basic security with earning related benefits in one pension model. It resembles most to the Costa Rican pension model. Korpi and Palme (1998:681) argue that institutional structures are "associated with different strategies of equality and different roles for markets and politics in distributive processes, and they can have different consequences for income distribution and poverty among citizens". Their study indicates that countries with encompassing institutions appear to achieve best results in poverty and inequality reduction, whereas the ones with basic security and targeted institutions lose out (1998:682)[5]. Targeted programs are characterized by conflicts of interests between the poor and the rest of the population and are thus expected to allocate the smallest budget. On the other hand, the encompassing model provides coverage for different risks experienced by various population groups (basic provision vs. uphold status had before retirement) and distinct incentives for specific population groups to participate in the scheme(s) and is thus expected to generate the largest budget[6].

3.3. Feminist critique

Feminist researchers specifically stress the necessity to assess inequalities between women and men in particular according to the division of labor (public/paid/productive versus private/unpaid/reproductive) and the dichotomous

[4] Modes of entitlement (i.e. means test, contributions, occupational group, and citizenship), levels of benefit (i.e. minimum benefits, flat-rate benefits and contribution based benefits), and modes of management (in terms of employer-employee cooperation in program governance, see Korpi et. al. 1998: 666-667).
[5] The corporatist countries are situated somewhere in between (Korpi et. al. 1998:682). The voluntary state subsidized institutions could not be assessed, as none of the studied countries maintained such institutions (Korpi et. al. 1998: 669).
[6] Korpi and Palme argue that beside institutional structures other factures are responsible for the countries` different performance in poverty and inequality reduction such as the relative strength of political parties and economic factors affecting the distribution of market incomes (Korpi et. al. 1998: 682).

conception of gender roles that influence the idea of the family as the basic unit of society (various sections in Becker and Kortendiek 2004; Sainsbury 1996)[7].

Until the end of the 18th century, protection against the needs and contingencies uncertainties of life was organized within communities, families and in informal ways (Ghai 2002). As social rights emerged mainly aiming at "securing the position of male workers as breadwinners when they were unable to support their families due to loss of jobs or wage-earning capacities" (Orloff 1993:318), the idea of the "male breadwinner model" became inherent in such policies and have reinforced gender inequalities (gender-differentiated nuclear family, i.e building on the dualism of gender roles and the economic dependency of women on men, see Becker et. al. 2004). From the beginning, welfare regimes have built on the traditional gender division of labor where women are responsible for (invisible, unpaid, and undervalued) domestic and caring work, and men secure a (visible, paid, and valued) family income. Women's economic dependence on men is reproduced in combination with the "married" status and the norm of the nuclear family model (Sainsbury 1996:41-43). Orloff (1993:314) argues that the state could support changes with regard to gender stratification by changing the dual structure of social security–the insurance and contribution-based form of security and social assistance–and enabling the "capacity to form an autonomous household" for both men and women. Insurance based social protection provides higher levels of benefits than social assistance, given the latter is a residual category conceived for those whose "risks" have not been acknowledged and valued. Lone mother families for example represent a living arrangement involving risks that are generally not sufficiently acknowledged (Arenas de Mesa et. al. 1999).

Regarding pension systems, it is therefore important to bear in mind the implicit notions of the gendered division of labor, of the distinction between public and private, of gender roles and of family arrangements. These notions pervade ideas of risks to be protected and consequently, the conceptual design of institutions such as pensions.

[7] According to various authors, other forms of inequalities should also be included such as racial, religious, ethnic, etc. (Orloff 1993: note 11; Gough et. al. 2004:24). This, however, goes beyond the scope of our analysis.

3.4. Criteria for a gendered analysis of pension systems

In this section we identify criteria according to the above presented typologies and which are relevant for an analysis of the structure and pillars of the pension systems from a gender perspective.

(1) Esping-Anderson's typology serves to classify welfare states, including all social security programs of a country. It provides information about the institutional context and the dominant ideology underpinning the social policy of a country and how the latter impacts on social security. According to Gough et al. (2004) and Gimenez (2005), Esping-Anderson's typology needs to be complemented in particular in developing countries with information on the family and community as providers of social security.

A gender perspective deconstructs pension schemes according to their normative underpinnings about how to (re-) organize responsibilities among men and women, among generations and within the market, the state, the family and civil society (Ghai 2002). These reflect in entitlements as pension designs build on implicit values of domains (public, private) and the division of labor (paid, unpaid; visible, invisible; productive, re-productive (care), etc.) producing particular dependencies among men and women and with regard to the state (Giménez 2005). Indicators highlighting such assumptions may contain information on legal issues concerning rights and obligations between men and women, the gendered structure of the labor market, the gendered division of labor within households, opportunities for child and old age care outside private households. Family configurations where family responsibilities are difficult to reconcile with market-oriented work or that deviate from the norm (lone motherhood in particular) are bound to be at disadvantage.

Participation in the definition and negotiations concerning the design of institutions is one way to assess opportunities for (re)constructing assumptions. Apart from the power struggle components defending or including privileges, negotiations represent ways to identify and acknowledge existing normative underpinnings and to create new points of departure. Theoretically, we assess pension schemes designs that have been bargained out consensually by different stakeholders to be more legitimate, equitable and inclusive in terms of gender and different population groups than otherwise.

(2) Korpi and Palme's typology serves to analyze institutional structures in relation to equality and poverty reduction. Their typology refers to single social insurance programs, such as old age pensions and how they emerged historically. During the last decade, various multi-pillar models have been implemented. We suggest to analyze the characteristics of the different pillars separately as well as their importance in relation to each other.

Criteria for assessing these pillars are entitlements ("rights" acquired through contributions made possible by labor market participation and paid work or if they are based on proven necessity (means-test), on civil status (married) or other criteria). Such criteria reveal the dual or triple structure of dependencies of pension models (Fraser et. al. 1994).

The relevance of single pillars within the whole of the pension system is an empirical issue as theoretical designs may not necessarily produce the desired results. Indicators here fore may be overall financial significance and whether the structure of beneficiaries is gendered or not.

Given that everyday life situations vary according to gender, schemes, that include financing through various social actors and governmental transfers (depending on the structure of the taxes[8]) to provide for social security, contain a larger component of social solidarity than schemes that relegate responsibility to the individuals only. The former have the potential to mitigate unequal conditions between different population groups. Consequently, we present the pillars with their respective bases of entitlement, their coverage rates, the financial significance, whether they are public or private, mandatory or voluntary, how they are financed (structure), how benefits are calculated and whether benefits acknowledge the gendered division of labor (care). Pension systems designed to comply with the needs of different population groups (i.e. encompassing model) provoke least power struggles and to generate higher financial capacity providing a basis for redistribution.

(3) According to the feminist critique, pension schemes emphasizing the social insurance perspective and accountability logic, which link contributions tightly to benefits, are considered as less gender equitable if the opportunities for saving (labor force participation, work trajectories, wage differences, hierarchical position,

[8] The structure of taxes might be gendered and consequently have a gendered impact; this issue, however, is beyond of the scope of this paper.

unemployment, gendered division of labor, etc.) are not equally distributed among men and women. Schemes taking into account care work (maternity leave, earlier retirement than men, child support), depending on how they translate into benefits, schemes using unisex life tables or including dependents to calculate benefit rates may be proactive policies that mitigate such disadvantages, although they might not be desirable theoretically from a gender perspective (reinforcement of gender roles). From this point of view, entitlements based on citizenship or residence are regarded as gender-equitable, because benefits and services related to these social rights make no distinction between husband and wife and, equally important, between paid and unpaid work (Sainsbury 1996, 45). Universal principles–inherent in citizenship/resident based entitlements–theoretically do not rule out gender disparities. Unfortunately, citizenship/residence based entitlements are not free from gender bias either: “benefits claimed on the basis of paid work receive funding priority while the public services that women depend on are not funded sufficiently to serve all those eligible” (Hobson 1990:247 and Ruggie 1984, chap. 6 quoted in Orloff 1993:316; Korpi et. al. 1998). This suggests that the degree and type (right or on request) of financing are further assessment criteria.

By contrast, principles of eligibility other than citizenship impact on social rights through the gendered division of labor: entitlements acquired through marriage reinforce the traditional division of labor and therewith lesser opportunities in the labor market. The gendered labor market (such as its structure regarding the divisions formal/informal; rural/urban; agricultural/industrial/services, access to different sectors and segregation, participation and unemployment levels, and income/wage gaps) is a constraint to equal contributions and access opportunities to pension pillars that are not based on entitlements through citizenship.

4. Chile

4.1 Introduction: the country

From a political perspective, Chile’s change from a developing country under various different regimes to a neo-liberal (since the 1970s) and finally a multi-party democracy state (from the 1990s onward) is of particular interest (Mesa-Lago 2002; Arellano 1985). Labor movements have always played a pivotal role in Chile’s political and economic development and were responsible for a variety of new laws related to social security that were implemented at the beginning of the 20th century (Gobierno de Chile 2003:13). These social security systems were steadily complemented by further schemes to include additional population groups (Witte 2004:415), thereby producing extensive warranted welfare regimes aiming at reconciling problems in relation to industrialization and urbanization (Arellano 1985).

The fragmented system of social security and numerous privileges of different groups, as well as changes in demography, rendered it subject to reforms by various governments of different political color. Augusto Pinochet (1973-1989) implemented the most radical reforms promoting neo-liberal policies in favor of a coercive modernization process (Imbusch, Messner et al. 2004). Massive privatization efforts, combined with an export-oriented economy, depleted the middle class and restrained the rural population from access to land and other natural resources (Meentzen 2004:174). Continuous repression of labor movements resulted in precarious work conditions, massive unemployment and an increasing number of families living in poverty, reaching 50% of families in 1986[9].

From the 1980s onwards, women's participation in the labor force rose steadily from approximately 29.3% in the 1980s (Mesa-Lago, 2000:155) to 35% in 2005 (Cepal, 2006); it remains lower than the Latin American average (45%). However, unlike men, they tend to be in less qualified jobs and concentrated in distinct sectors (Bertranou et. al. 2003). The informal sector is difficult to cover by social insurance; in Chile the urban informal labor force[10] accounts for 28.7%, the self-employed or family worker for 20.3% and the rural informal sector/unpaid self-employed for 33.3% (Mesa-Lago 2007:6).

The transition to democracy (in 1990) was accompanied by increased economic growth. Unemployment decreased from the 1990s onwards: in 2004, Chile had an unemployment rate of 7.4%; it was slightly higher for women with 8.3% (World Bank 2006a).[11] The democratic regime of reconciliation ("*concertacion*") attempted remedying the disastrous effects of the social reforms undertaken by Pinochet, but did not break radically with the past (Mesa-Lago 2002; Arellano 1985), hence

[9] Poverty rates increased from 17% in 1970 to around 50% in 1986 (Mesa Lago 2002:153) thereafter decreasing to 38% in 1990 and to 18% in 2003 (Cepal 2006). The Gini index increased continuously from 47.4 in 1970 to 56.5 in the 1990s (Lodoño 1997: 26).

[10] "Percentage of the urban labour force employed that is either unskilled or self-employed or domestic servant or employed in microenterprises, all with low productivity" (Mesa-Lago 2007:6).

[11] In 1990, 9.2% were unemployed (CEPAL 2006a:54).

legitimizing them. The process of de-legitimizing these reforms appears to have started with Michelle Bachelets presidency in 2006: a Bill to reform the pension system was submitted to the Chilean Congress recommending a structural change in favor of a “Solidary Pension Scheme” to strengthen solidarity as the basis of the system, to extend coverage and overcome gender discrimination[12]. This suggests a change towards the encompassing model.

4.2 Pension system

Chile’s pension system before the reform belonged to a “mature government-run social security system” operating on a pay-as-you-go basis (Cox Edwards 2000). Various problems triggered reforms: analyses in the late 1960s and early 1970s revealed the inefficiency of the pension system that contributed to inequalities between different groups. In addition, it was constrained by its financial deficit (Gobierno de Chile 2003). Trends such as a decreasing birth rate, an increasing old age dependency ratio[13] and longer life expectancy further aggravated this situation (Berstein, Larraín et al. 2005:2-3). Whereas between 1965 and 1972 the increasing amount of pensions paid could be partially compensated by real wage increases, unfavorable socio-economic conditions (decline in real wages and rise in unemployment) from the 1973 onwards reduced the volume of pensions paid although the number of beneficiaries remained the same (Gobierno de Chile 2003: 37-39).

In 1981, Law No. 3500 was issued implementing a new pension scheme based solely on individual capitalization (Lara and Candia 2001). In this scheme all employees are obliged to participate in a Pension Fund Administration (i.e. AFP) of their choice (Gobierno de Chile 2003:53-54). This radical change abolished the governmental pension scheme with redistributive elements. The actual Chilean individual capitalization pillar (*pilar 2*, AFP) has simply become a mandatory individual savings scheme. Other pillars complement this pillar: a social safety net (*pilar 0, PASIS*) and the guaranteed minimal wage (*pilar 1, PMG*). A third voluntary pillar allows for further non-legislated and guaranteed saving (*pilar 3*). These pillars will now be described in detail.

---

[12] See: http://www.issa.int/engl/publ/Trends/1-2007.htm.

[13] The old-age dependency ratio is the number of persons 65 years and over per one hundred persons 15 to 64 years.

4.2.2. Pilar 0 - Pension de Asistencia (PASIS)

PASIS was introduced in 1975[14]. It is targeted toward old and disabled persons (Bertranou, Gana et al. 2006:1) as a poverty alleviation measure (Bertranou et. al. 2006:1-2; Cox Edwards 2000:8) and pays a flat rate. Eligibility is assessed by means of CAS, a two-page household questionnaire administered by social workers based on citizenship and a means test. PASIS is administered and financed by the central government budget ((i.e. taxes) Cox Edwards 2000:8)[15]. Benefit levels are regulated by law[16] and calculated according to age. Between 1990 and 2003, the percentage of pensioners receiving a PASIS pension increased from 7.7% to 19%; this is partially explained by an increasing old age dependency ratio. Among the beneficiaries of PASIS in 2000, 39.6 % were men and 60.4% were women (Gana Cornejo 2002). The government sets the budget annually for PASIS and thus limits the number of beneficiaries; over the years, this budget has fluctuated between 8 and 15% of average taxable salaries. The percentage of social public expenditure for this program was approximately 2% or 0.3% of GDP in the 1990s (Valdes-Prieto no date:44).

4.2.2. Pilar 1 - Pension Minima Garantizada (PMG)

A minimum pension is guaranteed for those who have actively contributed for at least 240 months in one of the AFPs (see below), but did not accumulate enough savings to receive the legally defined minimum benefit (Cox Edwards 2000:8). The state guaranteed minimum pension is set annually in nominal terms and adjusted by law (Valdes-Prieto no date:44). The PMG covers the difference. It is financed by the central government budget, in particular, by value-added taxes. It covers 0.07% of the total population, respectively, 4% of those aged over 65[17].

4.2.3. Pilar 2 - Administradoras de Fondos de Pensiones (AFP)

The AFP pillar is the crucial element of the pension system. It is based on an individual savings scheme; it is mandatory for all employees and demands a defined contribution rate of 10% of individuals wage to an AFP of their choice. The AFPs

[14] Decree Law 869 (Gobierno de Chile 2003:17)
[15] Depending on what type of taxes (direct taxes, indirect taxes on consumption, trade taxes, social security taxes or other taxes) and the structure of the contributors to these taxes, the input side of PASIS may also be gendered (Barreix, Villela et al. 2007).
[16] Ley No. 1995, Gobierno de Chile.
[17] www.eumed.net/cursecon/ecolat/cl/fmll.htm. Access on 25.05.07.

administer their members' individual accounts and are responsible to cover loss of income in relation to risks such as through invalidity, death and to provide for old age. The benefits depend on individual savings, time for capitalization, performance of the different AFPs and administrative costs. A larger contribution than the legally defined wage percentage is possible on a voluntary basis. Benefit levels are calculated on the basis of (gender differentiated) retirement age, longevity, access to survivor's pensions[18]; of individual savings (contribution level, density and regularity and time of contribution) and depend on the family structure and civil status, etc. In December 2006, the coverage rate of the economically active population was 112.6% (AIOS 2006b: Boletin 16, Table 5); 44.9% were women (ibid, Table 3)[19]. However, only 51.5% are active, contributing members (ibid, Table 7). In 2006, among the beneficiaries, 65.4% received an old age pension (ibid, Table 9).

4.2.4. Pilar 3 – Private Saving

Each Chilean has the possibility to open an account in one of the AFPs (independent of membership) or a normal bank in order to save for an complementary pension (Gobierno de Chile 2003:62). In 2006, 1.2% of total population possessed a saving account in one of the AFP's; 34% thereof were women (AIOS 2006a).

4.3. Typology for pension model pillars

Summing up, the pension regime may be classified–according to Esping Anderson's typology–as originally corporatist with a range of privileges for different occupational groups (Filgueira 2005). This model became more inclusive as more population groups became covered until the end of the 1960s. Subsequently (early 1970s), it was reformed towards a more social democratic model by eliminating privileges and standardizing the pension for all but the military and police, and financed by a pay-as-you go system. The Pinochet dictatorship finally dissolved the state legislated old age pension by privatizing it, imposing a neo-liberal targeted model (according to

[18] Women's retirement age is 60; men's is 65; this leads to disadvantage for women in actuarial terms with sex differentiated life tables. Women (and their children) have access to survivor's pensions if they have been married six months before their spouse's death, if they have children in common or if they are pregnant; men have access to survivor's pension only when they are disabled. As men's savings are adjusted and women's are not, women are advantaged in this respect (Berstein and Tokman R. 2005:15).

[19] The percentage can be above 100 as changes between funds may not have been actualized and among members are also unemployed and some dependents.

Korpi and Palme (1998)) consisting of a fully funded individual capitalization scheme complemented by other pillars.[20].

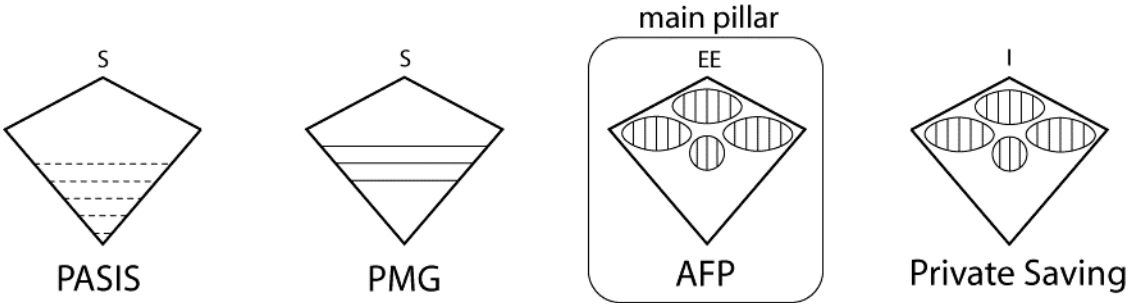

Figure 1: Pension model pillars of Chile

Remarks: According to Korpi and Palme, the diamond shaped figures represent the socio-economic structure of society, whereas high-income earners are situated at the top and low-income earners and the poor at the bottom[21]. White areas indicate uncovered population groups. Ellipses indicate separate insurance programs. Three dimensions and their respective criteria serve to characterize the different pension model pillars: 1) entitlement are either based on means test (i.e. dotted lines) or contributions (i.e. straight lines); 2) benefit levels are either minimum benefits (i.e. horizontal lines) or contribution-based benefits (i.e. vertical lines); 3) Financial contributors are either the state (i.e. S), employees (i.e. EE), or any individual that decides to privately save money for a pension (i.e. I).

5. Costa Rica

5. 1 Introduction: the country

Since its early days, Costa Rica can be characterized as a social-democratic welfare state. However, the 1940s were particularly favorable for different social initiatives and the creation of social institutions (Barahona, Güendel et al. 2005:2-3)[22]. Rafael Angel Calderón Guardía (President, 1940-1944) guaranteed social citizenship rights, social security and work regulations in order to impede ongoing class conflicts and to insure against workers risks (Rosenberg 1981:279-280). Although he had aimed at implementing the Chilean model (Bismarck model), the country's internal power structure came up with a type of Beveridge model for the financially poorer population groups. Until the 1980s, the country balanced social and economic goals (Mesa-Lago 2002:3) well. It was a period of social-economic welfare and poverty

[20] Korpi and Palme's (1998) third typology dimension (i.e. modes of management) has been substituted by "modes of financing". Such an adaptation makes sense, because on the one hand employer-employee cooperation in program governance is only found in the corporatist model, which (nowadays) does not resemble to the pension models of Chile and Costa Rica and, on the other hand, the dimension "modes of financing" contains important information about distribution of risks, solidarity and redistribution strategies.

[21] Contrary to Korpi and Palme's (1998), our figures were turned upside-down in order to refer to the relatively vast group of low-income earners and poor found in Chile and Costa Rica.

[22] Amongst others, *Garantías Sociales* (1942), *Código de Trabajo* (1943) and *Caja Costarricense de Seguro Social* (CCSS, 1943) were founded (Barahona et. al. 2005:2-3).

could be reduced substantially (Barahona et. al. 2005:3), from 50% in 1950 to 20.6% in 2003 (Proyecto Estado de la Nación 2003).

In Costa Rica during the 1980s, the international economic recession reduced of the GDP by 10% in only two years and unemployment doubled (Barahona et. al. 2005:8-9). This triggered structural adjustment programs and structural social security reforms (Barahona et. al. 2005:8-9). Due to massive citizen resistance against radical structural adjustments, Luis Alberto Monge (President, 1982-1986) remained on a moderate social-democratic path. He initiated so called social commissions (*Consejo Social*, *Gabinete Social)* composed of various social actors and stakeholders to manage the crisis. Structural adjustments were mitigated by social policy programs claimed by the population (Barahona et. al. 2005:10).

Costa Rica has a high ratio of social spending to total state spending and to GDP for Latin American countries. Costa Rica ranks third on the human development index (HDI) in 1996 in Latin America. It belongs to the most developed group of countries (Barahona et. al. 2005:1; United Nations Development Programme no date). Financial inequality did not increase dramatically: Costa Rica's Gini-index increased slightly from 44.5 in 1970 to 46.5 in 1990 (Londoño and Székely 1997:26) to 49 in 1999 (ECLAC 2002).

The high education level, declining fertility rates and an efficient health system have caused the proportion of the population being older than 65 to increase steadily, from 4.9% of the total population in 1990, to 5.3% in 2000, with predictions of 6.3% for 2010. In relation to the economically active population (between 15 and 65 years), people over 65 years accounted for 8.4% in 2000. These trends of an aging population are, however, less pronounced than in Chile (CEPAL 2006a). Women's employment rate rose steadily from 19.3% in 1973 (Mesa-Lago et. al. 2000:521) to 33% of the economically active population in 2005 (CEPAL 2006a: Table 1.2.2). In addition, steadily more women are employed in the formal sector. The gender wage gap to women's disadvantage is approximately 10% in 2005 (CEPAL 2006a: Table 1.7.1). In 2005, the unemployment rate in Costa Rica was 6.9%; it was higher for women with 8.3% than for men (World Bank 2006b). Nonetheless, the informal sector is still large: the urban informal labor force accounts for 32.7%, the self-employed or family worker for 20.6% and the rural informal sector/unpaid self-employed for 33.3% (Mesa-Lago 2007:6).

5.2. Pension system

In the 1940s, the Catholic Church, the communist party and groups of the ruling class cooperated to implement various social initiatives, such as the Costa Rican social insurance fund (*Caja Costarricense de Seguro Social; CCSS*) in 1943 (CCSS n.d.). In 1976, the insurance for invalidity, old age and death (*Régimen de Invalidez, Vejez y Muerte; IVM*) was founded, guaranteeing universal rights by the state (Barahona et. al. 2005:5). This insurance was mandatory for all employed workers earning up to an income level defined by the government (*tope*), and except for those employees who were affiliated to other specific pension schemes, and those earning more than the *tope*, who were responsible for themselves. Many independents were covered as a result of the 1965 legislation (CCSS n.d.).

The economic crisis in the 1980s, the distinct privileges of certain occupational groups as well as the increasing old age dependency ratio (since the 1950s) hampered the financial sustainability of the pension system. In addition, arguments were put forward that access to pensions was not adequately regulated (Martínez Franzoni 2005:12-16), that the system needed reform and be supplemented by pillars with incentives to save. Laws to reform the public sector and special pension plans were passed in 1991, 1992 and 1995. They abolished privileges and/or unified or closed down several insurance plans, modified eligibility requirements, reduced benefit levels and increased women's retirement age to that of men. These reforms were introduced democratically following consensus between various actors of the government and civil society[23]. This reflects Costa Rican policy-making practices well. The overall aim was to establish a universalistic basic insurance for the whole population. The first pillar is the primary one and consists of a collective capitalization model based on solidarity and inclusion (Martínez Franzoni and Mesa-Lago 2003:10). The complementing second and third pillar constitute individual capitalization models, in order to integrate the neo-liberal ideology of tightening the nexus between contributions and benefits. The so called *pilar cero (*social

[23] Such were: the CCSS, the Ministry for Labor and Social security (*Ministerio de Trabajo y Securidad Social),* the National Institute for Women *(Institutión Nacional de las Mujeres (INAMU)), the Superindendencia de Pensiones (SuPen)*, the Defensory of the Residents (*Defensoría de Habitantes)*, the Ministry of Finances and Economic Planification (*Dirección Actuarial y de Planificación Económica*, two representatives of trade unions and the cooperative movement (*cooperativismo*), two representatives of the *solidarismo* movement, and four representatives of the employers sector (Martínez Franzoni 2005).

assistance*)* aims to cover all those people that are not able to secure a pension through pillar I to III (López C. and Umaña A. 2006:3).

In 1995, the supervisory body of social insurances (*Superintendencia de Pensiones*, *SuPen*), an autonomous authority belonging to the Banco Central of Costa Rica, enacted the law concerning private complementary pensions (*Régimen Privado de Pensiones Complementarias, No. 7523*). It aims at better and more adequate provisions for old age through individual savings by integrating wealthier groups into the system. The definite foundation of the multi-pillar system came with the implementation of the *Ley de Protección al Trabajador* (LPT)[24] in 2000. LPT is aimed at regulating the bases of entitlement and benefit levels on the one hand and at ameliorating the general system's efficiency on the other hand.

5.2.1. Pilar 0 – Régimen No Contributivo (RNC)

The *Ley de desarrollo y Asignaciones Familiares*[25] established the RNC in 1974 and secures a minimal pension for destitute people[26]. Eligibility to RNC depends on having Costa Rican nationality and passing a means test (Durán Valverde 2002). Only people without pensions from other pillars are eligible as beneficiaries. People with either a drastic cerebral paralysis, no relatives, or no relatives with economic resources may receive a lifelong RNC pension. All others have to regularly justify their situation.

RNC benefits are composed of both direct financial contributions and cost recovery for health insurance and other social services (Martínez Franzoni, Castro et al. 2002:89). It is partially financed by the *Fondo de Desarrollo Social y Asignaciones Familiares* (FODESAF) and taxes on tobacco and alcohol. Despite rights to obtain this pension under specific circumstances, new members are registered on long waiting lists before receiving a pension. In addition, these pensions are too low to cover basic needs (Martínez Franzoni 2005:11). In the year 2000, 20% of all people aged 65 and older received an RNC pension (35.3% an IVM pension and 44.4% had no pension at all); women received 57% of RNC's pensions; 65.9% went to people aged older than 65 years, the rest to widows with or without dependents or to disabled people (Durán Valverde 2002:205–207).

[24] *Ley No. 7983, Gobierno de Costa Rica.*
[25] *Ley No. 5662, Gobierno de Costa Rica.*
[26] In 2006 20.2% of the households in Costa Rica were poor in 2006, whereas 5.3% lived in extreme poverty (Instituto Nacional de Estadisticas y Censos no date).

5.2.2. Pilar 1 – Régimen de Invalidez, Vejez y Muerte (IVM)

IVM is based on family protection and covers accident, illness, motherhood, invalidity, old age and death (Martínez Franzoni et. al. 2003:10). It is obligatory for all employees as well as the self-employed and is mainly administrated by CCSS. For housekeepers or independent workers, participation is voluntary. IVM is financed by employees, employers and the state[27]. The contribution level is defined proportionately to income; calculations of benefits are based on redistributive principles. Latest reforms have even enforced these redistributive effects (Martínez Franzoni 2005:24; López C. et. al. 2006). The benefit level is calculated on the basis of the average of the last 240 wages. Minimum contribution time is 300 months, which corresponds to 25 years. A reduced pension is possible after 180 months contribution (Martínez Franzoni 2005:22-26; López C. et. al. 2006).

Women may retire six months earlier than men without pension reduction, due to acknowledgment of their unpaid care work and double workdays (Martínez Franzoni 2005:25). In 2004, IVM covered 45% of the economically active population (López C. et. al. 2006:38)[28]. Approximately 54% of the beneficiaries are men, less than 46% are women (CCSS 2006:5).

5.2.3. Pilar 2 – Régimen de Capitalización Individual (RCI)

RCI was introduced in 2001 and aimed at supplementing IVM with an individual capitalization scheme. It is obligatory for all employees insured in IVM. Informally, occupied persons can, similarly to IVM, participate on a voluntarily basis. Contributions are paid by both employees and employers[29]. RCI is administered by public and private funds and regulated by the state. Employees can choose freely between different institutions (Martínez Franzoni et. al. 2003:13-14). RCI offers different kinds of pensions, depending on the specific needs of the insured.[30] RCI

[27] Employees pay 2.5% of their wage; employers have to contribute 4.75% and the state 0.25%. In the case of self-employed and voluntary insured the state also contributes 0.25% of their wage (López C. et. al. 2006).

[28] Large-scale agricultural farms have a coverage rate of 78% of their workers, whereas small-scale farms only reach 30%. Large-scale industrial enterprises have a coverage rate of 92%, whereas small-scale industrial enterprises only 43%. The service sector has a coverage rate of more or less 60%. Average coverage rate in Latin America is around 60% (López C. et. al. 2006).

[29] The employee pays 1% of wages and the employer 3.25% (López C. et. al. 2006).

[30] On the one hand a lifelong pension can be obtained, which will be paid monthly from entry into retirement until death. In this case, surviving dependents do not receive any pension after death of the insured (in contrast to IVM). On the other hand there is the continuous pension, which is paid during a period defined by the insured. In the case of earlier death, surviving dependents receive the

and RCV (see below) cover 78% of the economically active population (López C. et. al. 2006:71). RCI has a turnover of around 4.25% of GDP (López C. et. al. 2006:59).

5.2.4. Pilar 3 – Régimen Complementario Voluntario (RCV)

The *Ley de Protección al* Trabajador (LPT) also created the complementary and voluntary pillar RCV accessible to everyone. RCV is administrated by private insurance and regulated by the state. It provides for a free choice of fund administrators. This pillar facilitates early retirement, because it is included when calculating the contributions paid to IVM. RCV has a turnover of around 1.8% of GDP (López C. et. al. 2006:59).

5.3. Typology for pension model pillars

In conclusion, Costa Rica has established an inclusive and solidary pension scheme through the main and mandatory pillar IVM with strong redistributive components and incentives for individual saving within two pillars (one of which is mandatory). This enables the more advantaged population groups to uphold their actual status and contributes to constraining evasion. These two components characterize the encompassing model of Korpi and Palme's typology (1998).

In the following, we present our adapted version summing up our detailed analysis of Costa Rica's multi-pillar pension model:

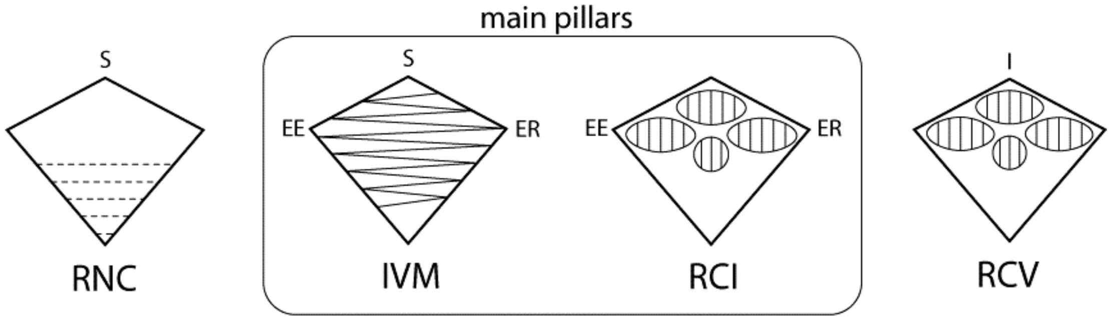

Figure 2: Pension pillars of the Costa Rican model

Remarks: In order to characterize the pension model pillars of Costa Rica, two additional criteria, to the ones presented in section 4.3, are needed: 1) redistributive contribution-based benefit levels (i.e. zigzag line) and 2) employers (i.e. ER) that also contribute to the financing of the pillar.

---

rest of the pension. If the insured lives longer than this defined period, they do not receive any pension thereafter (Mesa-Lago 2002).

6. Comparison of the pension models of Chile and Costa Rica

According to the respective historical development, the political regimes of the countries, and the theoretical deliberations made, we identify the Costa Rican system to theoretically be more gender equitable for the following reasons:

(1) The prominent change in 1973 to dictatorship in Chile impacted profoundly on opportunities to participate politically. Women's needs were attended to by maternal policies and not in terms of rights, upholding the traditional dependency of women on their spouses or on the state. The neo-liberal reform implemented the vision of rational individuals in society with no need of state assistance, except for programs targeting the poor. The state reduced its responsibility to mitigate contingencies of the disadvantage and the market became the primary provider of welfare. Chiles pension system, according to its neo-liberal design, responds favorably to an actuarial logic. Hence, benefits match individual contributions and are replaced by to single sex annuities, meaning that women, saving less at later stages in life, earning less and living longer, will receive less. Women are disadvantaged because they do not have the same capacity to save as men and social assistance is restricted. The transition to democracy has again enhanced participation, but the basic structures of the pension system implemented by Pinochet have not been modified (in part due to the constraints of the "*concertatión*" pact[31]). Only recently have they started to be questioned.

(2) Costa Rica, by contrast, has had a stable political history with mainly social-democratic governments that continuously aimed at inclusion of the population and that invested in human capital. Responsibilities for social security are more evenly distributed, as the state does not limit itself to reducing market produced social exclusion, but also provides social services in parallel to the market. This relieves the family and consequently women. Costa Rica's way of managing change and reform has been and is by involving various social actors and different interest groups (among them women) and seeking a sustainable consensus. This has led to acknowledgement of different life trajectories of men and women without consequences on replacement rates. Although such acknowledgement institutionalizes the gendered division of labor, it takes into consideration actual daily

[31] The *concertatión* pact may be understood as the general acceptance of the constitution elaborated by Pinochet with small modifications that were necessary, given that no clear majority was found either for Pinochet or for the opposition.

family practice. The pension system also provides for dependents regardless whether the earning household head is a women or a man.

Contextual factors are improving but are not equitable in either country yet: In both countries, women's active participation in the labor market has risen and the differences in wage gaps are diminishing. Unfortunately, access to the labor market has often been in low-productivity sectors, where income is lower than in the formal sector (ECLAC 2005:120)[32]. Studies for Costa Rica evidence a rise in wages in the informal sector for those employments where minimum wages are established (Gindling and Terrell 2004). Costa Rica appears to fare better given that negotiations on minimum wages` impact on wages in the informal sector, for example for domestic workers that are mainly women (this is not the case for areas of employment without minimum wages). Women in Costa Rica are gaining foot in the formal sector, where they are better insured. This is not the case in Chile. The structure of the wage gaps according to age in the two countries reveals that women fare substantially worse in Chile than in Costa Rica. This suggests that there might be evidence for a "glass ceiling" in terms of wages for women in Chile, that does not exist to the same extent in Costa Rica. Costa Rica has been more gender equitable also in the past in this respect (ECLAC 2004:262).

In both countries women are affected more by unemployment, which constrains regular contributions. Loss of contributions in Chile has a direct impact on the pension and the burden of saving is put squarely on the individual's shoulders. In addition, although women contribute more regularly than men in Chile, they contribute later, reducing the accumulation of on their savings. The savings impact is lower in the case in Costa Rica, where employers and the state jointly contribute for pensions in the IVM and the RCI.

A systematic comparison of the institutional structures reveals differences concerning financing, administration and institutional calculations; the greatest difference lies in terms of which pillar is given most importance: in Chile it is the individual capitalization scheme where the state provides help through a minimal pension guarantee (PMG) and possibly through PASIS; in Costa Rica it is the IVM, a public system for basic insurance (Beveridge model) that is complemented by the

[32] In Chile, 40 percent of women and 28 percent of men in urban areas were occupied in low-productivity employments in 2002; in Costa Rica it was 45% and 36% respectively (ECLAC 2005:120).

RCI (Bismarck model) to uphold a social status.

Unisex life tables in Costa Rica are more gender equitable than the single sex ones in Chile. The regular duration of contribution is longer in Costa Rica than in Chile (300 vs. 240 months), making it more difficult for women to acquire IVM and RCI pensions, however a possibility exists of gaining a partial pension with a lower duration (180 months) than in Chile. In Chile the minimum pension guarantee is favorable for women.

Given demographic ageing, more women are among the elderly and more women are among the poor; in Chile in 2000, PASIS provided pensions for approximately 14% of retired people (the individual saving pillars provided for 62%); the RNC in Costa Rica covers 21% of the elderly receiving pensions (another 40% received pensions from the contributive scheme in the year 2000 (Rofman and Lucchetti 2006:19).

In the decade 1990 to 2000, reforms have brought about a decrease in coverage rates, which was more accentuated for men than for women (ECLAC 2005; Rofman et. al. 2006:15). In addition, coverage rates of the labor force by quintiles of per capita income show that in Chile and in Costa Rica the poorest, among which a greater proportion are women, have a substantially lower coverage. In Costa Rica approximately 20% of the lower three quintiles are covered; in Chile they are substantially better off, with between 40 and 60% being covered (Rofman et. al. 2006:19). In terms of performance measured by actual coverage rates, Chile fares better.

If the pension system aims at reducing old age poverty, the femininity index[33] provides one way to assess it. In Chile the index for women aged 60 and older decreased in urban areas from 110.1 in 1990 to 90.0 in 2000 for women and from 92.1 to 80.8 respectively in rural ones (ECLAC 2005:77). This indicates a reduction of poverty in old age among women over the decade. This is not the case in Costa Rica: in urban areas the index increased from 106.7 to 118.2 whereas it decreased in rural areas from 113.2 to 108.5. One explanation is that the impact of the reforms in Costa Rica cannot yet be assessed; another is that the RNC has had a greater impact in the rural areas; a third, is that such indicators are outcome indicators and

[33] The coefficients of the femininity index of poverty are obtained by dividing the ratio of the number of women to the number of men in poor households by the ratio of women to men in all households. If the coefficient is greater than 100 women are proportionately more affected by poverty (ECLAC 2005:44).

do not directly reflect the pension system only but a variety of other factors as well (economic growth, family solidarity, etc.).

7. Conclusion

In this article we asked which of the two case models, the Chilean or Costa Rican, is more equitable. We reviewed mainstream literature on the typologies and welfare regimes (Esping-Anderson, Korpi and Palme), the feminist critique (Orloff) and the situation in developing countries (Gough). We identified criteria by which to assess the two pension systems and argue that each pillar needs to be assessed on its own, given that it provides for interests and needs of different population groups. The analysis is based on secondary data.

The conclusion as to which pension system should serve as a role model is not quite clear. From a gender perspective, the private capitalization pillar coupled with the minimum pension guarantee in Chile may be considered problematic for two reasons and positive for one: individual capitalization is not gender equitable due to the unequal access women have to the labor market and in terms of their opportunities to save within the actual gendered division of labor in the family and in the public and private sector. It contains no redistributive elements to equalize the unequal chances and women are penalized for their longevity. It also reveals a gendered structure suggesting that it is difficult to access for Chilean women. On the other hand, the minimum pension is advantageous for low-income contributors, among which a majority are women. In addition, women have direct access to survivor’s pensions, where men do not.

Costa Rica’s main pillar, IVM, actively redistributes and takes into consideration inequalities. As such it may be considered more gender equitable than the Chilean main pillar. However, it disposes of a small amount of capital accumulation and the pensions are insufficient to live with. Together wit the RCI is should theoretically be able to satisfy the needs of different population groups better than Chile. Although the RCI in Costa Rica appears similar to the AFP in Chile, it has more solidary components, given that employers also contribute. In this sense, RCI is more gender equitable if women belong to the more disadvantaged population groups.

Both PASIS in CHILE and RNC in Costa Rica have similar effects for their beneficiaries, of which a large proportion are women; both are necessary although, as argued above, not desirable from a gender perspective.

With regard to the effective coverage and level of pensions, Chile fares better than Costa Rica; this result is paradoxical because the contextual factors in Chile are less favorable for women (differences in the labor market structure, wage gaps, etc.) than in Costa Rica. However economic growth has been higher in Chile and the continuous though small reforms since 1990 may have had their (positive) impact. Therefore the question emerges as to how Chile will manage if the economic situation changes drastically; will the individual capitalization model still function with the less solidary and redistributive approach? A tight nexus between contribution and benefit and an actuarial logic, as the Chilean model promotes, are not–as argued above–gender equitable; in Chile, as the country study reveals, women are penalized (according to type of annuity tables, wage gap, access to the labor market, retirement age, etc). The most recent government under Michelle Bachelet is redesigning the system by emphasizing the solidary components.

Although acknowledging care work might theoretically not appear beneficial, we argue that it is gender equitable if the actors involved *consensually* bargain out such pro active measures, because, when the situation changes, voices of different stakeholders are included and the principle of consensual discussions make it possible to modify these measures. Hence, the procedure for making explicit normative underpinnings for designing old age provision may be considered conducive for gender equity even if it does not accord with the argued theoretical perspectives. Affirmative actions in this perspective may become transformative if they succeed in making visible the invisible (Fraser 2003). In short, it is not only the gender equitability of individual pension schemes, nor of the pension system comprising various pillars that are important, but substantially the acknowledgment of and the factors enhancing or constraining the capacities and equal opportunities to participate and access the labor markets that provide the means for making a living.

8. Bibliography

AIOS, Asociación Internacional de Organismos de Supervisión de Fondos de Pensiones (2006a). Los regímes de capitalización individual an América Latina. *Boletín Estadístico AIOS*, 31. Retrieved Access Date from http://www.aiosfp.org/estadisticas/boletin15.pdf.

AIOS, Asociación Internacional de Organismos de Supervisión de Fondos de Pensiones (2006b). Los regímes de capitalización individual an América Latina. *Boletín Estadístico AIOS*, 31. Retrieved Access Date from http://www.aiosfp.org/estadisticas/boletines_estadisticos/boletin16.pdf.

Arellano, Jose-Pablo (1985). Social Policies in Chile: An Historical Review. *Journal of Latin American Studies, 17*(2), 397-418.

Arenas de Mesa, Alberto and Veronica Montecinos (1999). The Privatization of Social Security and Women's Welfare: Gender Effects of the Chilean Reform. *Latin American Research Review, 34*(3), 7-37.

Barahona, Manuel, Ludwig Güendel and Carlos Castro (2005). *Política social y reforma social "a la tica" Un caso paradigmático de heterodoxia en el contexto de una economía periférica* Working Paper No. No. 20. UNSRID, Geneva.

Barreix, Alberto, Luiz Villela and Jerónimo Rodca (2007). *Fiscal Policy and Equity. Estimation of the Progressivity and Redistributive Capacity of Taxes and Social Public Expenditure in the Andean Countries. Preliminary Version*. Inter-American Development Bank, Washington, DC.

Barrientos, Armando (2004). Latin America: Towards a Liberal-informal Welfare Regime. In: Gough, Ian and Adrian Wood (Hg.). *Insecurity and Welfare Regimes in Asia, Africa and Latin America* (121–168). Cambridge: Cambridge University Press.

Becker, Ruth and Beate Kortendiek (2004). *Handbuch Frauen- und Geschlechterforschung. Theorie, Methoden, Empirie*. Wiesbaden: Verlag für Sozialwissenschaften.

Berstein, Solange, Guillermo Larraín and Francisco Pino (2005). *Cobertura, densidad y pensiones en Chile: Proyecciones a 20 años plazo*. Retrieved Access Date from http://www.safp.cl/inf_estadistica/index.html.

Berstein, Solange and Andrea Tokman R. (2005). *Are Women Relatively Better Off When Old? Gender Income Gaps during Active and Passive Life*. Superintendence of AFP;Central Bank of Chile Santiago de Chile from http://wwwtest.aup.edu/lacea2005/system/step2_php/papers/tokman_atok_000.pdf.

Bertranou, Fabio M. (2006). *Reformas previsionales en América Latina: ¿Por qué Chile modificará su "exitoso" modelo de pensiones?* Artículo para Revista de Trabajo, Nueva Época, N° 3. Oficina Internacional del Trabajo (OIT), Santiago de Chile.

Bertranou, Fabio M. and Alberto Arenas de Mesa (ed.) (2003). *Protección social, pensiones y género en Argentina, Brasil y Chile*. Santiago de Chile, Ginebra: Oficina Internacional del Trabajo. Retrieved AccessDate from.

Bertranou, Fabio M., Pamela Gana and Javiera Vasquez (2006). Pensiones no contributivas. Su relevancia en la reforma previsional. *OIT Notas. Seguridad Social y Reforma del Systema de Pensiones de Chile, 3*, 1-4.

CCSS, Caja Costarricence de Seguro Social (2006). *Seguro de pensiones de invalidez, vejez y muerte. Informe de la Gestión. Cierre a diciembre 2005* Caja Costarricence de Seguro Social, CCSS, San José, Costa Rica.

CCSS, Caja Costarricence de Seguro Social (n.d.). *Seguro de Pensiones Invalidez y Muerte: Cobertura.* San José, Costa Rica: CCSS, Caja Costarricence de Seguro Social. Retrieved January 30 from http://admsjoweb10.ccss.sa.cr/pensiones/Informes_Tecnicos1.html.

CEPAL, Comisión Económica para América Latina y el Caribe (2006a). *Anuario estadístico de América Latina y el Caribe 2005*. CEPAL and Naciones Unidas, Santiago de Chile.

CEPAL, Comisión Económica para América Latina y el Caribe (2006b). *Panorama social de América Latina 2006*. CEPAL and Naciones Unidas, Santiago de Chile. Retrieved 10.03.2007 from http://www.eclac.org/cgi-bin/getProd.asp?xml=/publicaciones/xml/0/27480/P27480.xml&xsl=/dds/tpl/p9f.xsl&base=/tpl/top-bottom.xslt.

Cox Edwards, Alejandra (2000). Pension Projections for Chilean Men and Women: Estimatres from social security contributions. *The World Bank Economic Review, 16*(3), 321–343.

Durán Valverde, Fabio (2002). Los programas de asistencia social en Costa Rica: el régimen no contributivo de pensiones. In: Bertranou, Fabio, Carmen Solorio and Wouter van Ginneken (Hg.). *Pensiones no contributivas y asistenciales: Argentina, Brasil, Chile, Costa Rica y Uruguay* (173-220). Santiago de Chile: International Labor Organization (ILO).

ECLAC, Economic Commission for Latin America and the Carribean (2002). *Meeting the Millennium Poverty Reduction Targets in Latin America and the Caribbean*. Economic Commission for Latin America and the Carribean (ECLAC), Instituto de Pesquisa Econômica Aplicada (Ipea), United Nations Development Programme, Santiago de Chile.

ECLAC, Economic Commission for Latin America and the Carribean (2004). *Social Panorama of Latin America*. Santiago: United Nations Publications.

ECLAC, Economic Commission for Latin America and the Carribean (2005). *Meeting the Millenium Goals: A Latin American and Caribbean Perspective*. Chile: United Nations Publications.

Esping-Andersen, Gøsta (1990). *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press.

Filgueira, Fernando (2005). *Welfare and Democracy in Latin America: the Development, Crises and Aftermath of Universal, dual and Exclusionary Social States*. prepared for the UNRISD Project on Social Policy and Democratization. United Nations Research Institute for Social Development (UNSRID), Geneva from http://www.unrisd.org/UNRISD/website/document.nsf/(httpPublications)/D1F612F7B7D71534C1256FFF005447F7?OpenDocument.

Fraser, Nancy (2003). Soziale Gerechtigkeit im Zeitalter der Identitätspolitik. In: Fraser, Nancy and Axel Honneth (Hg.). *Umverteilung oder Anerkennung. Eine politische philosophische Kontrovers* (13–128). Frankfurt am Main: Suhrkamp.

Fraser, Nancy and Linda Gordon (1994). Civil Citizenship against Social Citizenship? In: van Steenbergen, B. (Hg.). *The Condition of Citizenship* (90-104). London: Sage.

Gana Cornejo, Pamela (2002). Las pensiones no contributivas en Chile: Pensiones Asistenciales (PASIS). In: Bertranou, Fabio, Carmen Solorio and Wouter van Ginneken (Hg.). *Pensiones No Contributivas y Asistenciales: Argentina, Brasil, Chile, ILO, Santiago* (125-172). Santiago de Chile: International Labor Organization (ILO).

Ghai, Dharam (2002). *Social security priorities and patterns: A global perspective*. Discussion Paper No. No. 141, DP/141/2002. Education and Outreach Programme, International Institute for Labour Studies (IILS), International Labour Organization ILO, Geneva.

Gil, David G (1992 [1973]). *Unraveling Social Policy: Theory, Analysis, and Political Action Towards Social Equality*. Rochester, Vermont: Schenkman Books Inc.

Gill, Indermit S., Truman Packard and Juan Yermo (2005). *Keeping the Promise of Social Security in Latin America*. Washington, DC and Palo Alto, CA: World Bank and Stanford University Press.

Giménez, Daniel M. (2005). *Gender, Pensions and Social Citizenship in Latin America*. Serie Mujer y Desarrollo No. no. 46. ECLAC/CEPAL Economic Commission for Latin America and the Carribean, Women and Development Unit, Santiago de Chile.

Gindling, T.H. and Katherine Terrell (2004). *The Effect of Minimum Wages on Actual Wages in*

Formal and Informal Sectors in Costa Rica. University of Maryland at Baltimore County and Ford School of Public Policy and Ross School of Business University of Michigan. Retrieved Access Date from.

Gobierno de Chile (2003). *The Chilean Pension System*. Santiago de Chile: Superintendencia de AFP, Gobierno de Chile, http://www.safp.cl/sischilpen/english.html.

Gough, Ian (2004). Social Policy Regimes in the Developing World. In: Kenneth, Patricia (Hg.). *A Handbook of Comparative Social Policy* (239-257). Cheltenham: Edward Elgar.

Gough, Ian, Geoff Woods, Armando Barrientos, Philippa Bevan, Peter Davis and Graham Room (Hg.) (2004). *Insecurity and Welfare Regimes in Asia, Africa and Latin America*. Cambridge: Cambridge University Press.

Imbusch, Peter, Dirk Messner and Detlef Nolte (2004). Chile - Land der Extreme, aber immer Modell. In: Imbusch, Peter, Dirk Messner and Detlef Nolte (Hg.). *Chile heute. Politik Wirtschaft Kultur* (11-20). Frankfurt am Main: Vervuert Verlag.

Instituto Nacional de Estadisticas y Censos, INEC (no date). *Instituto Nacional de Estadisticas y Censos.* San José, Costa Rica: Instituto Nacional de Estadisticas y Censos, INEC from http://www.inec.go.cr/.

Kenneth, Patricia (Hg.) (2004). *A Handbook of Comparative Social Policy*. Cheltenham: Edward Elgar.

Korpi, Walter and Joakim Palme (1998). The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality and Poverty in the Western Countries. *American Sociological Review*(63), 661-687.

Lara, Claudio and Cristián Candia (2001). Die Krise der Renten-Fonds in Chile. *SOLIDARIDAD. Berichte und Analysen aus Chile*. Retrieved Access Date from http://www.labournet.de/internationales/chile-rent-d.html.

Londoño, Juan Luis and Miguel Székely (1997). *Persistent Poverty and Excess Inequality: Latin America, 1970-1995*. Working Paper No. 357. Office of the Chief Economist, Inter-American Development Bank, Washington DC. Retrieved November 7, 2006.

López C., Grettel and Carlos E. Umaña A. (ed.) (2006). *Los Sistemas de Pensiones: Presente y Futuro*. San José, Costa Rica: Academia des Centroamérica. Retrieved AccessDate from http://www.academiaca.or.cr/publicaciones/sistemasdepensionespresenteyfuturo.html.

Lund, Frances and Smita Srinivas (2005). *Learning from experience: A gendered approach to social protection for workers in the informal economy*. Geneva: International Labour Organization.

Marco, Flavia (Hg.) (2004). *Los sistemas de pensiones en América Latina: Un análisis de género*. ECLAC, Santiago de Chile.

Martínez Franzoni, Juliana (2005). *Undécimo informe dobre el estado de la nación en desarrollo human sostenible. Informe final.Reformas recientes de las pensiones en Costa Rica: Avances hacia una mayor sostenibilidad financiera, acceso y progresividad del primer pilar de pensiones. Undécimo Informe sobre el Estado de la Nación en Desarrollo Humano Sostenible*. Estado de la Nación, San José, Costa Rica from www.estadonacion.or.cr/Info2005/ Ponencias/Reformas_recientes_pensiones.pdf -.

Martínez Franzoni, Juliana, M. Castro, J.D. Trejos and L. Quesada (2002). *Acceso de las mujeres a los beneficios de los seguros sociales en Costa Rica: situación actual y recomendaciones para mejorarla*. San José: Instituto Nacional de las Mujeres.

Martínez Franzoni, Juliana and Carmelo Mesa-Lago (2003). *Las Reformas inconclusas: pensiones y salud en Costa Rica. Avances, Problemas, Recomendaciones*. San José, Costa Rica: Fundación Friedrich Ebert.

Meentzen, Angela (2004). Chile: Geschlechterverhältnisse zwischen Tradition, Modernisierung und Demokratisierung. In: Imbusch, Peter, Dirk Messner and Detlef Nolte (Hg.). *Chile heute. Politik Wirtschaft Kultur* (171-190). Frankfurt am Main: Vervuert Verlag.

Mesa-Lago, Carmelo (2002). *Models of Development, Social Policy and Reform in Latin America*. Draft prepared for the UNRISD project on Social Policy in a Develepment Context in the UNRISD Programme Social Policy and Development. UNRIST, Geneva. Retrieved May 21, 2006 from http://www.unrisd.org/80256B3C005BCCF9/(httpPublications)/7E4B8522A609EC67C1256C7C0039C99D?OpenDocument.

Mesa-Lago, Carmelo (2007). The extension of healthcare coverage and protection in relation to the labour market: Problems and policies in Latin America. *International Social Security Review, 60*(1), 3-31.

Mesa-Lago, Carmelo, with Alberto Arenas de Mesa, Ivan Brenes, Veronica Montecinos and and Mark Samara (2000). *Market, Socialist, and Mixed Economies: Comparative Policy and Performance-Chile, Cuba, and Costa Rica*. Baltimore: Johns Hopkins University Press.

Orloff, Ann Shola (1993). Gender and the Social Rights of Citizenship: The Comparative Analysis of Gender Relations and Welfare States. *American Sociological Review, 58*(3), 303-328.

Proyecto Estado de la Nación (2003). *Estado de la Nación en Desarrollo Humano Sostenible, X Aniversario*. San José: Programa del Estado de la Nación.

Rofman, Rafael and Leonardo Lucchetti (2006). *Pension Systems in Latin America: Concepts and Measurements of Coverage*. SP Discussion Paper No. No. 06616 (revised version: January 2007). The World Bank, Social Protection, Pensions and Social Assistance, Washington, DC.

Rosenberg, Mark B. (1981). Social Reform in Costa Rica: Social Security and the Presidency of Rafael Angel Calderon. *The Hispanic American Historical Review, 61*(2), 278-296.

Sainsbury, Diane (Hg.) (1994). *Gendering Welfare States*. Newbury Park, London, New Delhi: Sage.

Sainsbury, Diane (Hg.) (1996). *Gender, Equality and Welfare States*. Cambridge, England: Cambridge University Press.

Sainsbury, Diane (Hg.) (1999). *Gender and Welfare State Regimes*. Oxford: Oxford University Press.

Suter, Christian and Monica Budowski (forthcoming). Lateinammerika als Modernisierungsvorbild? Universalistische, korporatistische und neoliberale Modelle der Sozialpolitik. *Forthcoming*.

UNDP, United Nations Development Program (2006). *Human Development Report 2006: Beyond scarcity: Power, poverty and the global water crisis*. New York: UNDP, United Nations Development Program.

United Nations Development Programme, UNDP (no date). *Homepage: United Nations Development Program.* from http://www.undp.org/.

Valdes-Prieto, Salvador (no date). *Social Security Coverage in Chile, 1990-2001*. Background Paper for Regional Study on Social Security Reform No. 304950. Cahtolic University of Chile, Santiago de Chile.

Willmore, Larry (2007). Universal Pensions for Developing Countries. *World Development, 35*(1), 24-51.

Witte, Lothar (2004). Die Entwicklung eines Modells: 20 Jahre Rentenreform in Chile. In: Imbusch, Peter, Dirk Messner and Detlef Nolte (Hg.). *Chile heute. Politik Wirtschaft Kultur* (417-432). Frankfurt am Main: Vervuert Verlag.

Wood, Geoff (2004). Informal security regimes: the strength of relationships. In: Gough, Ian, Geof Wood, Armando Barrientos, Philippa Bevan, Peter Davis and Graham Room (Hg.). *Insecurity and Welfare Regimes in Asia, Africa and Latin America. Social Policy in Development Contexts* (49–87). Cambridge: Cambridge University Press.

World Bank (1994). *Averting the Old Age Crisis: Policies to Protect the OId and Promote Growth*. Policy Research Working Papers. World Bank. Retrieved August 2006 from http://www.eldis.ids.ac.uk/static/DOC8957.htm.

World Bank (2006a). *Chile: Summary Gender Profile.* Retrieved 05.03.2007 from http://devdata.worldbank.org/genderstats/genderRpt.asp?rpt=profile&cty=CHL,Chile&hm=home.

World Bank (2006b). *Costa Rica: Summary Gender Profile.* Retrieved 05.03.2007 from http://devdata.worldbank.org/genderstats/genderRpt.asp?rpt=profile&cty=CRI,Costa%20Rica&hm=home.