

Chilean government admits 52,000 people will lose their jobs due to pension reform



Santiago de Chile, November 8 (RHC)-- The Chilean government has submitted its pension reform plan that will increase employee contributions by four percent and the social security bonus for the poor will increase by 40 up to percent, which the government admitted would result in the loss of 52,000 jobs.

"The cumulative effect on formal employment is estimated at 52,000 fewer jobs in the long term, while in the transition the average impact per year is estimated at around 5,700 jobs. The maximum impact on formal employment in a particular year is 9,000 jobs, an effect that is gradually decreasing over time," said the ministry.

However, opposition leaders in the House of Representatives say the legislation could take over a year to pass and want to split the two reforms to take immediate care of the country's most vulnerable.

Chile's Ministry of Financing released a proposal that would increase the Basic Solidarity Pension (BSP) for the country's elderly and most low income by up to 40 percent by 2030, but opposition parties say they want the issue of to be taken care of immediately and not through legislation.

The executive has the power to increase the BSP which does not have to go through lawmakers. In July, President Sebastian Piñera increased the pension for the elderly and poor by only 2.53 percent – raising strong criticisms from the opposition.

Communist Party legislator (PC), Karol Cariola, said she wants the Sebastian Piñera administration to divide the project and tackle the solidarity pension for the poor quickly. Otherwise, the legislator warned, her party would reject the legislation, which would mean delays in increasing the BSP for the low-income and elderly.

"We are evaluating (if we should) reject the idea of legislating this bill ... under these conditions," of tying both increases into one bill," said Cariola.

Chile's Labor Minister, Nicolas Monckeberg, ruled out separating the two pension reforms because this would mean that the middle class and women would suffer. (I don't know what this means) "We do not want to separate the project because it would mean, once again, the that (reform) will be postponed ... for the middle class and women," stated Monckebert.

Seeing that the administration insists on not dividing the reform, Gaston Saavedra of the Socialist Party (PS) and president of the House's labor commission said the government must create a dialogue regarding pension reforms and not impose its conditions so as entrap the initiative.

"We are all here because of this legislation, but it passes through agreements, through dialogue to build a new system. We cannot impose conditions," said the socialist legislator to the House.

The 'new system' that Saavedra refers to would mean de-privatizing the current system implemented by former dictator Augusto Pinochet in 1981 to create a public pension account, something that Chileans have been insisting on for over a year.

In late October, Saavedra dismissed the government's initial announcement of the 40 percent increase in pensions for the lowest-tier pensioners, saying even that wouldn't be enough to lift them above the poverty line.

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