

# Impact of the Chilean military dictatorship on social workers in the Provident Funds: a look at our social welfare (1960-1990)

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## Abstract

This article reviews a variety of statesmen from social workers and other officials belonging to the area of social welfare in Chile, during the transition from the system of Provident Funds to the establishment of the AFP individual capitalization system (Administrator of the Pension Fund) during the 1980s in the context of the military dictatorship. The main objective is to understand the impact that this key event has on the profession of social work and social security profession in Chile up to the present.

**Keywords:** History of social work; Chile; Social welfare; Dictatorship; Augusto Pinochet; Administrator of the Pension Fund (AFP).

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# Impacto de la dictadura militar chilena en las trabajadoras sociales de las Cajas de Previsión: una mirada a nuestra previsión social (1960-1990)

## Resumen

Este artículo recoge y analiza testimonios de las trabajadoras sociales y otros funcionarios del área de previsión social en Chile durante el paso del sistema de Cajas de Previsión a la instauración del sistema de capitalización individual Administradora Fondo de Pensiones (AFP) durante la década de 1980 en el contexto de la Dictadura Militar. El objetivo es entender el impacto que tiene este evento clave para la profesión de Trabajo Social y la seguridad social en Chile hasta la actualidad.

**Palabras clave:** Historia del Trabajo Social; Chile; Previsión social; Dictadura; Augusto Pinochet; Administradora Fondo de Pensiones (AFP).

**Summary:** 1. Introduction, 2. Methodology, 3. Findings, 3.1 Historical Approaches: Social Security Funds and the Role of Social Workers Between 1950 and 1960, 3.2 Eduardo Frei Montalva's Presidential Term (1964-1970) and Challenges in the Pay-as-You-Go System, 3.3 Political Polarization and Social Security Debates, 3.4 From the Welfare State to the Subsidiary State: Changes During Augusto Pinochet's Dictatorship (1973-1990), 3.5 New Institutional Framework Under the Dictatorship: Pension Policy Reforms, 4. Conclusions, 5. Bibliographic references.

## 1. Introduction

In today's societies, with increasing rates of population aging, pension systems have become a central and highly controversial topic in public discourse (Mesa-Lago, 2021). In 2023, Chile marked the 50th anniversary of the *coup d'état*, which had long-lasting impacts, including the implementation of the individual capitalization pension system, or AFP, that persists to this very day. The possibility of a radical reform to the pension systems has been at the forefront of Chile's contemporary political and social debates amidst significant agitation and discontent.

Additionally, 2024 marks 100 years of social security in Chile, following the establishment of the Workers' Insurance Fund in 1924. As the legal successor, the Social Security Institute (*Instituto de Previsión Social*, IPS) continues to provide services to the last beneficiaries of the old pay-as-you-go system. The closure of these institutions will signify the end of this system in the civil sphere, marking the end of an era.

These past and present debates necessitate reflection on the trajectory of social security in Chile, the role of social workers, and the history of the welfare state's construction—and dismantling—.

The construction of social security in Chile dates back to the government of Arturo Alessandri Palma, who enacted the first laws of this kind in 1924 and established a pay-as-you-go pension system managed by social security funds. Social workers, referred to as "visitors," played a pivotal role in professionalizing social security in Chile and establishing a welfare state. They acted as active mediators, bringing the State closer to the people and representing their needs to the State (Illanes-Oliva, 2007). Even within the realm of pensions, their importance was proven by social workers' high professional status in social security funds (Araya-Cuello & Román-Guajardo, 2024).

The pay-as-you-go system operated, with various modifications, for 55 years until it was disrupted in 1980 by the structural transformation of the welfare state into a subsidiary state, executed during Augusto Pinochet's dictatorship. Unsurprisingly, this new conception of the state profoundly impacted a profession so closely tied to the State structure.

The primary goal of this article is to highlight the impact on the social work profession and social security in Chile during the transition from a pay-as-you-go pension system to one based on individual capitalization under the dictatorship. We propound that the shift to a Subsidiary State stripped social workers of the power and status they had gained during the initial development of the welfare state. Their professional roles were relegated to technical and technocratic functions, contributing to the devaluation of social work and a technocratic view of social security in Chile.



## 2. Methodology

The methodology employed in this study was qualitative, with a biographical approach using an exploratory and analytical-relational design (Seid, 2016). The study's exploratory nature was due to the lack of prior research in Chile on the work carried out by social workers in the field of pensions, particularly during the dictatorship years, which saw the establishment of AFPs and the termination of the pay-as-you-go system.

The data collection strategy involved biographical interviews and a focus group. These were defined as narratives centered on key life events for scientific analysis. The interviews were conducted at participants' residences and workplaces between October 2022 and July 2023. On the day of the interviews and focus group, participants were asked to read and sign an informed consent form detailing the characteristics of the study and their rights as research subjects.

The qualitative sample was intentionally structured, targeting social workers who had worked in pension-related roles during the specified time frame. Nineteen social workers were interviewed, including 16 women and three men, aged 52 to 80 years and an average age of 65. Of the 16 women, four resided in the Metropolitan Region, and 12 lived in the Valparaíso Region (encompassing cities such as Viña del Mar, Valparaíso, Concón, San Felipe, and Quilpué). Regarding the male social workers, two lived in Valparaíso and one in the Metropolitan Region.

All participants were former employees of the old Pension Funds or the Social Security Normalization Institute (in Spanish, INP), now known as the Social Security Institute (in Spanish, IPS). As such, they were witnesses and participants in the events analyzed during the period studied. The diversity of professionals, workplaces, age ranges, and the predominance of women—reflecting the feminized nature of the profession—represent the processes analyzed (Canales-Cerón, 2006).

Inclusion criteria required that participants were pension-related social workers in Chile during the decades defined for the study, had proficient mental health to provide coherent accounts of their experiences, and had voluntarily agreed to participate in the research.

The interview script was organized around open-ended questions associated with thematic dimensions: I. Biographical Background; II. Entry into Service; III. The Military Coup; IV. Dictatorship and Pension Reform; V. Democratic Transition (1991-2008).

The interviews averaged 90 minutes in length and were audio-recorded and transcribed for qualitative analysis. Efforts were made to preserve the transcription as faithfully as possible, capturing language errors, hesitations, pauses, interruptions, and silences—all valuable data reflecting the co-constructed dialogic process of the narrative (Roulston *et al.*, 2003). Narratives were segmented into meaningful units and organized into categorical systems. The criteria for

rigor ensuring the study's validity and reliability included collecting abundant information, the development of detailed descriptions, and committing to ongoing theoretical reflection.

The 13th interview achieved data saturation; however, the remaining scheduled interviews were conducted to meet defined rigor criteria. This research adhered to ethical oversight protocols established in the Helsinki Declaration of 1975, revised in 1983.

Historical documents related to the studied period were also reviewed from the IPS archive. This document review provided relevant contextual information on the experiences of the interviewed group. This was complemented by a review of contemporary literature on social work in Chile. The study sought to arrive at pertinent conclusions through the triangulation of these methods.

### 3. Findings

#### 3.1 Historical Approaches: Social Security Funds and the Role of Social Workers Between 1950 and 1960

The process of constructing social welfare, driven by the welfare state, was consolidated during the changes of the 1950s and 1960s. This era formed the foundation for the evolving democratic power of social workers (Illanes-Oliva, 2007).

**Table 1. Main Pension Laws (1960–1973)**

Laws No.	Year	Content of the law
10.986	1959	Consolidation of the Social Security Law
15.386	1963	Pension Revaluation
16.744	1968	Workplace Accidents and Occupational Illnesses

**Source:** developed by the authors based on data from the Instituto de Normalización Previsional (INP, 2000).

It is worth noting that new social security funds were created entirely in 1935. Subsequently, only legislative modifications occurred (Von-Gersdorff, 1984).

As Illanes-Oliva (2007) states, social workers—alongside lawyers—served as professional advisors and collaborators with management in the former social security funds. This led to them being respected and considered for project planning and implementation. Social workers were often the sole professionals in social security fund offices throughout Chile. Through their legislative knowledge, they dignified community service, ensuring access to social rights for populations otherwise excluded. Testimonials support this:

In the 1970s, social workers held significant power and were the only professionals in the service. (Nelly, personal communication, October 2022)



For instance, during Eduardo Frei Montalva's government, social worker Mercedes Ezquerra Brizuela became the first national director of the Social Security Service Fund, holding the position for over six years.

This highlights that public administration, in general, was intensely involved in society. Specifically, social workers actively informed laborers about their rights and responsibilities, especially in rural areas. Testimonials describe:

There was a social function to our work. We prepared social reports for all requirements: housing applications, family allowances, unemployment benefits [...] even for short reports, we had to conduct visits. Moreover, it was great because family allowances, as my boss used to say, served a social function. Benefits went to those who truly needed them. (Ana María, personal communication, March 2023)

This role adhered to a case-based intervention model for addressing the pension-related issues of affiliates or retirees under the various former Pension Funds. The work was conducted with respect and privacy. Each social security fund had its own social workers specializing in pension and labor law matters.

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Emphasis was also placed on various benefits provided by some funds to both employees and beneficiaries. The efficiency of certain social security funds compared to others is illustrated in this testimonial from a social worker in the Private Employees' Fund (*Caja de Empleados Particulares*):

It was good, yes, because it was comprehensive. It was about pensions [...], housing, and loans. People could request emergency loans, which were not large amounts but were lifesaving because there were no financial institutions back then. (Ana María, personal communication, March 2023)

However, this system ended in 1973 with the dismantling of the welfare state, which was replaced by the concept of a subsidiary state.

This phase of institutional community concern ended with the military coup on September 11th, 1973. From that point onward, professional fields – particularly in the social sciences, which embraced humanist and progressive approaches – were restricted. Service to the most vulnerable classes was viewed as a threat to the government's interests under the doctrine of “National Security”.

### **3.2 Eduardo Frei Montalva's Presidential Term (1964-1970) and Challenges in the Pay-as-You-Go System**

In 1975, Chile had 35 social security funds, with vastly different legal requirements and regulations. However, only three of these funds— Social Security Service Fund (*Caja del Servicio Seguro Social*), Private Employees' Fund (*Caja de Empleados Particulares*), and Public Employees' Fund (*Caja de Empleados Públicos*)—covered 90% of contributors. With such many funds, there were as many as 200 different pension regimes. This complexity caused significant challenges over time, prompting successive governments to form committees to address these funds' funding, distribution, and benefits (Arenas-De Mesa, 2010).

In 1965, President Eduardo Frei Montalva of the Christian Democratic Party began implementing a plan to reform the pension system. The goal was to improve the pension landscape in Chile, which had already been analyzed, systematized, and diagnosed by the Prat Commission.

Frei's administration successfully expanded pension coverage for rural workers, primarily through administrative instruments. This was facilitated by enacting agrarian reform laws that strengthened rural workers' rights to social security and collective bargaining. These reforms also introduced minimum wages and legalized rural unions and organizations (Vargas, 2018; Mesa-Lago, 1978).

Despite these advancements, the government was unable to achieve more significant equity. This failure was mainly due to the unsuccessful attempt to standardize benefits and regulations across the system, which faced strong opposition from leftist political parties and union representatives in parliament.

### **3.3 Political Polarization and Social Security Debates**

During the 1970 presidential campaign that led to Salvador Allende's presidential election, financial and administrative issues in the pension system were widely acknowledged. The consensus was that reforms were necessary to prevent the system's bankruptcy or continuous fiscal pressure for increased resources.

These concerns were central to the pre-election debate, with presidential candidates harshly criticizing the existing system and emphasizing the urgent need for radical reforms (Mesa-Lago, 1978; Vargas, 2018). Salvador Allende, the Socialist Party candidate, made pension reform a key campaign issue, promising improved social security. His proposal aimed to homogenize and centralize the pay-as-you-go system (Marcel & Arenas, 1991).





Borzutzky (2005) offers a critical perspective on Allende's approach to this issue. The author concludes Allende lacked the political will and power to enact significant pension reforms. Instead, the changes introduced during his administration were superficial and appeared more focused on media impact than on achieving profound and systematic social change.

Allende proposed a five-year social security plan to create a fully operational welfare state. However, when this did not materialize, the government had to negotiate with organized worker groups and politicians, who increasingly demanded more concessions. As a result, the plan was only partially implemented, and no substantial changes were made to the pension system.

In summary, Chile's pension system maintained political stability in 1970, but the excessive social demands were difficult to sustain financially. These challenges exacerbated class conflicts, which intensified significantly. Furthermore, the middle class received more significant benefits at the expense of the working class, as the political system gave more attention to their demands (Parrish & Tapia-Videla, 1970, cited in Vargas, 2018).

### 3.4 From the Welfare State to the Subsidiary State: Changes During Augusto Pinochet's Dictatorship (1973-1990)

The military dictatorship in Chile began in 1973 when the Military Junta, led by General Augusto Pinochet, seized power through a *coup d'état* that overthrew Salvador Allende's government. To consolidate its dictatorial regime, they soon sought economic advisors. For this purpose, it sent a group of young professionals aligned with its political ideology to train at the University of Chicago in the United States. They introduced a neoliberal influence that deviated from previous economic approaches upon their return. These individuals became known as the "Chicago Boys".

The "Chicago Boys", offsprings of the Chilean entrepreneurial class, had studied at the Pontifical Catholic University of Chile and some at the University of Chile before being sent abroad to train in neoliberal economics under Milton Friedman and Friedrich Hayek. Upon their return, they implemented this economic model in Chile, aiming to stimulate the country's development but with highly unequal income distribution. The Military Junta readily adopted its economic plan (Matus, 2017).

Before the dictatorship, Chileans had access to a public health system valued by its workers and a pension system supported by insurance. Contributions came from the worker, the employer (or *patrón*), and the State – a tripartite funding model. This system underscored a collective commitment to social security, with the State acting as guarantor. Concepts like commodification were absent in health, education, and labor security (pensions), which were considered social rights (Matus, 2017).



The debate over pension reform must be contextualized within the broader framework of the reform agenda promoted by the military government starting in 1979. This agenda, known as the “Seven Modernizations,” aimed to advance the country’s development by promoting individual freedom.

However, the “Seven Modernizations” significantly reduced public responsibilities in favor of the private sector, often through state subsidies.

The Military Junta issued Decree Law 2448 of 1979, which altered key parameters of the pension system and substantially reduced public expenditures. Specifically, the government abolished old-age pensions determined by years of service and established new retirement ages: 60 for women and 65 for men (Solimano, 2017).

This decree addressed a significant part of the debate and limited public scrutiny of the industry's design, Pension Funds administration, incentives to encourage beneficiaries to transition to the new system, and access to pensions under the new framework.

According to Arellano (1981; 1985), the initial pension reforms under the military regime aimed to reduce privileges and unify a pension system that included 35 social security funds, 150 programs, and more than 2,000 regulatory texts (Foxley *et al.*, 1980).

Pinochet's advisory team and the Minister of Labor and Social Security, Piñera (1995), emphasized the need for health, education, and pension reforms. Consequently 1980, the Pension Fund Administrators (AFP, *Administradoras de Fondos de Pensiones*) were created. In health, Private Health Insurance Companies (ISAPRES, *Instituciones de Salud Previsional*) were introduced, and in matters of education, private universities were established.

However, the Military Junta did not alter the pay-as-you-go system used by the Armed Forces, Police, and Gendarmerie (Solimano, 2017). While the dictatorship imposed structural changes on Chile’s pension system, the Armed Forces opted not to transition to the riskier individual capitalization model.

In summary, the pension landscape changed in the following manner: AFPs and individual accounts for workers, while the Armed Forces, Police, and Gendarmerie retained their social security systems (Durán & Kremerman, 2021; Gálvez-Carrasco & Kremerman-Strajilevich, 2019; 2020).

The government abandoned the welfare state's protective role during this historical period. The new state function was neoliberal, with a subsidiary role that delegated regulation to the market. Social security was no longer understood in the traditional sense shared globally by governments and international organizations; it was now privatized. Additionally, education and

health began to be treated as consumer goods, where the private sector could offer solutions to the needs of workers, families, or individuals. This commodification of health, education, and pensions created ethical, economic, and social consequences for citizens (Ruiz & Caviedes, 2020).

A total paradigm shift occurred in the conception of the State, which was now reduced in scope and disengaged from citizens' needs. The private sector became the administrator of Chile's pension system. Workers have faced this harsh reality for over three decades with feelings of vulnerability.

### **3.5 New Institutional Framework Under the Dictatorship: Pension Policy Reforms**

#### ***Creation of the Social Security Normalization Institute (INP)***

In 1973, following the military coup that overthrew President Salvador Allende, Chile entered a period in which, for the first time since the 1920s, a fiscal austerity policy in the social sector was implemented (Arellano, 1985). Vincent Navarro (1997, cited in Vargas, 2018) argues that the logic underlying the neoliberal modernizations introduced by the regime was neither social nor civil; it was purely economic. This approach was detrimental to constructing state identity, as its primary goal was to create exceptional conditions for capital formation and accumulation.

While repression unfolded in the streets, coercion was simultaneously exerted within state-dependent workplaces. Branch-level authorities openly supported pro-military movements. Employees who did not comply were subjected to increased surveillance, creating a daily atmosphere of fear. Testimonials from this period reflect these dynamics:

They said that during the coup, the military arrived at EMPART [Private Employees' Fund], dismissed two or three employees, and terminated them without compensation. [...] A colleague working at CAPREMER [National Merchant Navy's Fund] in Valparaíso was detained in 1973 and tortured by the Navy. (Mónica, personal communication, October 2022)

Social workers were invited to marches supporting General Pinochet. Some, driven by fear, attended, while those who refused were summoned to the regional office. There, we would gather and use the time to solve technical issues. A supervisor once labeled us 'ol' communists.' (Margarita, personal communication, November 2022)

We were afraid of losing our jobs. Unemployment was high, and poverty was widespread. Employment programs like PEM [Minimum Employment Program] and POJH [Employment Program for Heads of Households] were implemented during the economic crisis of 1975-1976. (Eduardo, personal communication, July 2023)

My positions were always technical, not political. Still, you knew you were being watched. (Anita, personal communication, November 2022)

This pervasive sense of fear created a systematic psychological trauma that permeated professional life.

Decree Law 3500 of 1980 established the transition to the AFP system. Concurrently, Decree Law 3502 of 1980 created the INP to reallocate resources among various Pension Funds, channel public subsidies to comply with commitments undertaken, and coordinate and streamline financial investments (INP, 2000).

1982, a gradual consolidation process began, merging the former Pension Funds into a single organizational structure. The Social Security Service Fund was first merged with the Private Employees' Fund. By 1986, the Public Employees and Journalists Fund (in Spanish, CANAEMPU) was integrated, followed by the remaining funds. This process, described by employees as a traumatic experience, is vividly captured in their testimonials:

The Social Assistance Department was dissolved and replaced by the Regional Branches Department. General meetings with social workers ceased. The focus shifted, and some staff lost the benefits previously provided by their funds. (Margarita, personal communication, November 2022)

Many properties were sold or reassigned. Employees had to share office spaces, leading to workplace conflicts. There were unjustified layoffs and staff reductions. (Anita, personal communication, November 2022)

Initial testimonials reveal widespread confusion. The consolidation of funds resulted in staff reductions, the sale of properties eroded employees' sense of belonging, and the appointment of military personnel to management roles introduced a rigid, hierarchical command structure. Meetings aimed at aligning the application of regulations were discontinued. Employees of the INP were expected to comply unquestioningly with directives, akin to members of the Armed Forces.

The administrative structure of social security was significantly reduced-buildings and staff. (Eduardo, personal communication, July 2023)

Branch managers were often military or naval officers. Politics were never discussed. (Anita, personal communication, November 2022)

Management shifted from civilian professionals in the former SSS [Social Security Service] to military officials taking over key roles. (Margarita, personal communication, November 2022)

Social Security staff followed orders without question, so they generally avoided problems. In contrast, EMPART employees, who were more inquisitive, faced dismissals. (Mónica, personal communication, October 2022)

These testimonials also highlight tensions among employees from different funds. The integration of staff with varying educational and professional backgrounds into shared workspaces led to issues of discrimination and social stratification.

The merger was particularly challenging for the Private Employees' Fund [EMPART] employees, who lost many benefits. They had to adapt to the conditions of the Social Security Service, which was not easy. [...] There was a noticeable difference between EMPART employees, who served employers, and Social Security employees, who worked with laborers. EMPART staff felt diminished by being reassigned to a less prestigious fund. (Ana, personal communication, May 2023)

Consolidating numerous Pension Funds into the INP created an overwhelming workload for employees. They had to understand and apply diverse regulations, address client needs, and meet managerial demands for faster processing times. This workload, combined with psychological pressures, severely affected employees' mental health.

The job required extensive knowledge of legal provisions governing retirement benefits and housing allocations. At the time, the funds also included building housing developments. (Eduardo, personal communication, July 2023)

Our main tasks included expediting delayed Social Security processes, providing clients with information about their benefits, resolving bottlenecks, conducting home visits for pension disbursements, and managing mortgage debts for housing provided by the funds. (Ana María, personal communication, March 2023)

I joined the Social Security Service in 1979. By 1980–1981, the merger with EMPART was underway. The system was highly vulnerable. [...] Employees worked long hours, and the demands were unfair. More years of contributions were required than in other funds. Employers often failed to pay contributions, and enforcement was lacking. It was a depressing time. (Anita, personal communication, November 2022)

[...] We felt the "Chicago Boys'" influence in the new service provision approach. The value of time took precedence over the quality of care. With a stopwatch, they stood behind us and monitored our performance. (Anita, personal communication, November 2022)

Simultaneously, the fact that they were the sole professionals in certain branches granted them additional weight in decision-making and a foundational responsibility before authorities and the general public.

In many agencies at the time, the only professional staff member was the social worker. (Nelly, personal communication, October 2022).

The main measures implemented during the dictatorship in pensions are outlined in Table 2. During this period, the social work assignment was coordinated by a centralized unit: the Social

Assistance Department, located at 814 Lídice Street, Santiago. However, social workers did not hold branch management positions during this time.

This department was technically responsible for all Social Workers nationwide who carried out their duties in all agencies [now referred to as branches]. These professionals were accountable to the branch manager, a career civil servant, not a professional. (Margarita, personal communication, November 2022).

**Table 2. Principal statutory regulations were enacted during the dictatorship.**

Law	Year	Main Topic
Law 97	1973	Creation of the National Family Allowance System
DFL 307	1974	Regulation of the National Family Allowance System
DFL 603	1974	Regulation of Unemployment Subsidies
DL 869	1975	Social Assistance Pensions for the Disabled and Elderly
DFL 90	1979	Death Benefit Pension Regime
DL 2448	1979	Pension modification regarding age and contributions.
DL 3500	1980	Creation of Pension Funds Administrators (AFP)
DL3501	1980	Creation of Social Security Normalization Institute (INP)
DFL 150	1982	Consolidation of DFL 307 National Family Allowance System

**Source:** Compiled by the author based on INP (2000) data<sup>1</sup>.

Decree Law 869 of 1975 enacted the Granting of Social Assistance Pensions. For the first time, pensions were awarded to impoverished populations who did not meet the contribution requirements necessary to receive a pension from the Social Security Fund. Social workers were tasked with issuing social reports to facilitate this process. Since Chile lacked accurate poverty measurement tools at the time, the role of social workers was pivotal.

Decree Law 869 established additional requirements to target individuals lacking resources. In this endeavor, social workers played a fundamental role, as their primary function was to ensure the proper allocation of benefits through the issuance of Social Reports, which determined eligibility within the legal framework. (Anita, personal communication, November 2022).

The primary role of social workers concerning this law was to act as overseers of municipal work on behalf of the State, determining whether municipalities had appropriately granted the specified benefit.

Regarding their other functions, testimonials state:

<sup>1</sup> Internal institutional report with no public access

The work involved civic-military operations, coordination with other community services, preferably municipalities, and training tasks. Internally, it included granting powers of attorney, social reports, supervision of rural payments, internal training, reports on heavy labor, and reports on family allowances. (Nelly, personal communication, October 2022).

Most of these functions represented continuity from the previous system; however, civic-military operations were introduced during the dictatorship. These operations involved disseminating public service information to communities but under the constant and ominous presence of police and military personnel.

### *The AFP System*

According to the International Labour Organization (Organización Internacional del Trabajo, ILO), the core of a pension system lies in the concept of social solidarity. This principle was absent during the dictatorship, as the AFP structure was essentially an individualistic compulsory savings system (Escáñez-Martínez, 2018).

The ILO defines social security as:

The protection society provides to individuals and households ensures access to health care and guarantees income security, particularly in old age, unemployment, sickness, invalidity, work injury, maternity, or loss of a breadwinner. (Alfonso-Sáenz, 2023, p. 4)

Borzutzky (2005) highlights that social solidarity, the central principle of the pay-as-you-go system reflected in the former Pension Funds, was relegated to a secondary role. Consequently, the operational logic of pensions was lost. The capitalization system placed individual responsibility at the forefront, requiring individuals to save sufficiently to secure an old-age pension. In this context, the pension reform occurred, leading to the establishment of the INP.

The new pension system fundamentally altered the foundations of social security (Vargas, 2018). Under the previous system, pension amounts depended on wage growth. In contrast, the capitalization system relies primarily on the growth of capital markets, which are highly volatile in Chile. This volatility has generated significant distrust among workers, leaving them vulnerable to speculative investor activity (Arellano, 1985).

In other words, the pension reform, as analyzed by Arellano (1985), resulted in a loss of patrimonial sovereignty. Workers relinquished control over their retirement funds, which were handed over to private corporations that concentrated control and influence in the financial market.



The former Pension Funds included provisions for granting loans to workers to purchase properties. For example, the Private Employees' Fund in the Valparaíso Region financed entire housing developments using the fund's assets and member contributions. These homes were acquired through mortgages. The old paradigm of the Pension Funds envisioned a more integrated approach to security, with the State as a protective entity. In contrast, the modern conception of the State has shifted these responsibilities to other sectors, such as housing agreements between real estate developers and banks.

The military regime offered several justifications for imposing the new system. One was the claim that the former Pension Funds were bankrupt. However, research by Von-Gersdorff (1984) indicates this claim was unfounded. The reform was driven by an incentive structure rather than redistributive or financial concerns.

Another justification was the alleged political misuse of reserve funds, which weakened the system and forced the Pension Funds' insolvency. Additionally, demographic concerns were cited, suggesting it would soon become impossible for active workers to finance inactive workers' pensions.

One advantage touted for the new individual capitalization system was that workers could receive a higher net salary, as AFPs required a lower contribution rate than the former Pension Funds. This aspect was highly appealing to workers, who hoped for a better retirement and thus decided to switch systems.

However, in practice, this transition was often arbitrary. Human resource managers or direct supervisors frequently made changes, sometimes falsifying signatures. Many workers were coerced into joining the new system, fearing layoff if they refused.

Testimonials reveal how the military government's propaganda and coercive tactics to promote AFPs operated on multiple levels and even involved social workers. These workers participated in municipal congresses to recruit employees for the AFPs.

They also recruited social workers for the AFPs because people viewed social workers as trustworthy individuals who would never harm the population but instead work for its benefit. (Teresa, personal communication, April 2023).

The deception was massive. Later, they would tell us, 'I did not sign,' but the employer or accountants had submitted the contract. They told a lovely story about how they would make more money, so at first, they were happy because their net salaries were higher. However, years later, when they retired, they would realize they were in the AFP System. (Margarita, personal communication, November 2022).



In 1979, further exacerbating the situation, Pinochet issued a decree allowing employers to declare contributions without immediately paying them. In 1975, the dictator reduced employer contribution rates, claiming that this measure would boost employment by lowering labor costs (Matus, 2017).

According to Matus (2017), the new AFP System heavily favored employers, as it no longer required them to contribute as they had under the pay-as-you-go system. The worker was solely responsible for contributions to the new structure, marking a significant departure from the previous system.

Four decades after the implementation of the AFP System, its evaluation reveals troubling data. Barriga and Kremerman (2024) report that the replacement rate—the percentage of a pension relative to the income earned from paid work—is equal to or less than 17% for half of those who retired between 2015 and 2022. Furthermore, the authors indicate that the average replacement rate for individuals who retired in 2023 after contributing for 35 to 40 years reached only 32.6% of their average taxable income over their last ten working years.

Ugarte and Vergara (2022) note that replacement rates vary by gender. Women receive a replacement rate of 24%, while men receive 48% for self-financed pensions through AFPs.

16 However, with the introduction of the Universal Guaranteed Pension by the State in 2022, the median replacement rate rose to 63%. This indicates that Chile's pension system has become a heavily state-subsidized privatized model (Barriga & Kremerman, 2024).

In comparison, the pay-as-you-go system, particularly the Social Security Service Fund, provided a replacement rate of 70%. The Organization for Economic Co-operation and Development (OECD) recommends replacement rates of no less than 70% for pension systems (Araya-Cortés, 2014).

Based on testimonials, historical records, and available sources addressing this transformative period in Chilean social security, Morales-Aguilera and Aceituno-Silva (2020) argue that memories are neither abstract nor neutral. Consequently, this study concludes that the transition from the pay-as-you-go pension system to an individual capitalization system during the dictatorship caused psychosocial trauma. This trauma is evident in three recurring themes identified during the coding of interviews: fear, loss, and technocratization.

### *Conceptualization of Trauma*

Psychosocial trauma is the psychological and social problems arising from specific sociohistorical contexts, particularly processes that deny human dignity in relationships between individuals or their environments (Faúndez *et al.*, 2014; Martín-Baró, 1989). Martín-Baró (1989)



outlines three characteristics of psychosocial trauma: it is a dialectical phenomenon; it necessitates identifying the social causes underlying it; and it impacts social relationships, influencing their continuity over time (Faúndez *et al.*, 2014).

The dictatorship is characterized as a traumatizing relationship between the State and subjugated individuals, but also within society as a whole, especially considering the political control used to regulate social order through the imprint of threat and fear. This implies that the origins and consequences of psychosocial trauma are embedded in social relationships rather than residing solely in the individual victim of such experiences. Traumatic experiences affect socializing contexts, including communities, workplaces, and social organizations (Faúndez *et al.*, 2014).

### ***Fears***

Testimonials highlight various fears experienced during the merge of the Pension Funds Pension Funds. First, there was the surveillance and the detention of employees associated with leftist political activism, as well as unjustified dismissals without compensation. The danger of working during the merge, the uncertainty about job security, and the sense of constant surveillance due to the presence of military personnel in leadership roles were sources of fear for employees. Additionally, civic-military operations on the ground served as covert forms of control over social workers' activities in communities, as well as over the population, by armed forces aligned with the Pinochet regime.

### ***Losses***

The losses suffered by social welfare employees were both material and intangible. On the material side, the complete reorganization of state-dependent public administration services resulted in the loss of countless assets (buildings, offices, workplaces) that had once been familiar and safe spaces for social workers, along with various economic, recreational, and general welfare benefits previously provided by the Pension Funds. These losses were compounded by the departure of colleagues due to dismissals and political detentions.

On the intangible side, there were significant losses aimed at directly undermining the power of social workers. First, there was the loss of leadership positions and historically significant roles within the profession, which were taken over by military personnel and non-professional state officials. This shift altered the historically horizontal leadership and work dynamics of social workers, where members of the same profession typically held leadership roles, and fieldwork with communities was central to their professional duties. These dynamics were replaced by a vertical hierarchy led by regime collaborators and a restriction of community engagement.



Between 1975 and 1990, two professional employment profiles emerged: on the one hand, employment in public services focused on assistance and family-based professional work. On the other, employment is provided by alternative non-governmental organizations (Castañeda-Meneses & Salamé-Coulon, 2022).

The actions described above demonstrate the dictatorship's recognition of the power and influence of social workers as both builders of the Welfare State and promoters of its ideals among the population. To impose the new subsidiary state model promulgated by the dictatorship, the Military Junta saw it necessary to diminish social workers' social actions and leadership roles, subsequently transforming their focus.

### *Technocratization*

Social workers who remained within state institutions had to adapt to a new reality: the de facto government abandoned its role as a welfare state. Social work was relegated to assistance and reduced to case management and resource administration to aid "extreme poverty" sectors and oversee their situation. Social work returned to the role of social assistance, a model heavily criticized in the previous decade (Quiroz-Neira, 2000).

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According to testimonials, the "Chicago Boys" principles prioritized rapid service delivery and higher case volume over the depth and quality of social reports. A stopwatch was used to calculate the time spent on services, serving as a tool of control and coercive change in the dynamics of social service provision. Over time, even the academic training in social work offered by universities adopted these technocratic and goal-oriented ideas, promoting neoliberal objectives. Restricting reflective and professional activities within the State undermined the field's professionalization.

Authors such as Vivero-Arriagada and Molina-Chávez (2021) argue that the neoliberal model has influenced the disciplinary training of social workers, shifting it towards an instrumental character and weakening its theoretical foundation.

### *Impacts of the Model on Society as a Whole*

The testimonials about the shift in the logic of social security in Chile allow us to diagnose the impact of these reforms on society in general, the primary focus of public policies, and the State's actions.

One significant impact of the subsidiary state was the disappearance of intergenerational solidarity and the tripartite funding structure of the previous pay-as-you-go system. In this model, pensions were financed by the current workforce and supplemented through combined



contributions from workers, employers, and the State. This was replaced by the AFP System, in which the worker is the sole contributor and is responsible for self-funding their pension. Employers have no role in this system, and the State outsources its responsibilities to private entities, creating a highly individualistic model.

Furthermore, the logic of the subsidiary state reaches citizens in a highly targeted manner, excluding much of the population from its benefits and reducing its role in legislating and collecting taxes. This approach contributes to the erosion of the social fabric and undermines the importance of "the public sphere" for the common good. It also disrupts the traditional professional role of social workers as builders and promoters of the State. Instead of acting as bilateral mediators between the population and the State – with the status and importance this entails – they are subjected to a technocratic and assistance-focused logic, alienated from active engagement and the constructive interaction of new paradigms with citizens.

#### 4. Conclusions

The changes and significant reforms in 1980 could not have occurred at any other time than under the military dictatorship. Piñera (1995) stated: "If the current regime does not reform social security, it may never be possible. If it does, it will have removed the greatest obstacle to social progress, development, and well-being" (Matus, 2017, p. 20). The absence of a congress and a rule-of-law state during the dictatorship allowed for the implementation of significant pension reform by creating the AFP System under Decree Law 3500 of 1980.

Many reasons were given for establishing this system. However, the most critical was the shift from a welfare state to a subsidiary state – or, as Larrañaga (2010) termed it, a residual welfare state. This transition marked a profound change for social work, as community work and the empowerment of the population were lost. Despite the highly technical nature of social security and the regulatory frameworks of each pension fund, social workers had to operate amidst fears and losses, performing increasingly technocratic work while losing institutional power. This new form of service delivery emphasized minimizing interaction time and prioritizing broader coverage over depth. This period planted the seeds of neoliberalism within the professional services provided by the State.

It is worth noting that this article continues a previous investigation examining the earlier historical period, published as *The Strategic Impact of Women Social Workers throughout Chile's History in Pensions (Ex Cajas de Previsión) (1925-1960)*. This is the second article, covering the years 1960 to 1990. Two additional articles will follow, addressing the democratic transition and social work from 1990 to 2008 and developments from 2008 to the present day.



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The authors unequivocally state that there is no conflict of interest in the writing or publishing of this article, reinforcing the integrity and impartiality of the research.

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