

Abstract

## **Inside the Model: Politics, Enterprise Strategies and Employment Quality in Chile**

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Efficient private sector activity is considered to be at the heart of the Chilean "model", with its record of economic growth with poverty reduction. However, a closer examination at the enterprise level reveals that firms practice short-sighted strategies for labour flexibility which may undermine possibilities for sustained competitiveness in the future.

This study presents a comprehensive analysis of the Chilean model, bringing together enterprise-level evidence with macro-level data on Chile's socio-economic and political development. Based on enterprise visits and special tabulations of household survey data, it argues that despite constant efforts to become more competitive, Chile is not a model at the enterprise level. The widespread flexibility strategies of Chilean enterprises have a negative impact on workers' employment quality, which threatens to become an obstacle for future socio-economic development.

For example, despite favourable macro-economic conditions and low unemployment rates between 1990 and 1998, the share of salaried workers without written work contract and temporary workers increased. These workers not only receive lower wages and fewer social benefits than their more permanent colleagues at equivalent skill levels, they also receive less training and are highly unlikely to develop links of high involvement with their enterprise.

When evidence from enterprise-level studies is linked to the recent political history of Chile, it can be concluded that the unresolved relationship between business and labour constitutes a major stumbling block. Reforms after the 1973 military coup have weakened the trade union movement and shifted the power balance towards business. While this has facilitated enterprises' short-term adaptation strategies, weak trade unions and powerful management control limit the ability to move beyond Taylorist work practices towards modern management concepts. Paradoxically, the autonomy of enterprises prevents them from advancing to a new development stage, where workers would be convinced that cooperation with management and exchange of their internal know-how would both make the production process more efficient and serve their own interests.

While several policy initiatives were implemented during the 1990s to correct this imbalance and to strengthen the position of labour vis-à-vis business, these initiatives have largely failed to produce results. Given that the imbalance between business and labour is partly due to the deliberate weakening of the trade union movement under the military dictatorship, the government must meet the challenge of redressing this imbalance and creating a "level playing field" for effective social dialogue within the enterprise.