



ENCLA Survey 2011: Additional Evidence for Labor Improvement

The survey's results compared to 2008, demonstrate the favorable labor results of the last three years. There are not only quite important wage increases, but labor safety and training levels also improve.

In past days, the Ministry of Labor published the results of the seventh labor survey. The previous one corresponded to 2008, so their comparison gives a quite broad perspective of the different aspects of the labor market in Chile. The survey provides a global view which is positive; the labor situation in the country improved significantly in this period and, in general, a favorable labor condition is perceived

both by employers and employees, with very little conflict, contrasting with the scenario presented by labor union leaders.

In methodological aspects, this is the second survey taken at national level, whose study population or universe is the set of formal businesses with five or more employees operating in the country and whose regulatory framework, regarding labor relationships, is the Labor Code.¹ Therefore, from the workers' point of view it embraces the category of salaried employees with contract. Four categories of businesses are defined, according to the number of employees: micro, small, medium and large. The first ones have between 5 and 9 workers, the small ones between 10 and 49, medium ones between 50 and 199, and the large ones with over 200 employees. This time, the survey sample included 3,448 businesses (32% more than in 2008), representing 4.3% of the total universe.

A first interesting datum derived from this survey is that almost 84% of the Chilean firms are micro or small businesses; therefore, we should carefully analyze labor regulations that are generally thought for medium and large businesses. If we also take into account that only firms with more than five employees are included, we find that the business scenario in Chile does not have much relation with the myth of great businessmen with considerable fortunes.

Its objective seeks to provide information on the work conditions and characterize labor relationships rather than measuring the employment and unemployment levels of the labor market; therefore, the business is the analysis unit, which gives a different character to the overall existing labor information available.

The first feature, which is one of the major challenges of labor policies in Chile, is that a large number of businesses are still characterized by male workers. The rate of labor feminization (firms where female employment represents more than 50%) has maintained practically unchanged in relation to 2008. Only 24.6% of the firms have more than 50% female employees, a very similar figure to the 23.5% in 2008. As we could expect, the highest feminization rates are found in teaching (87.5%) and social and health services (86.7%).

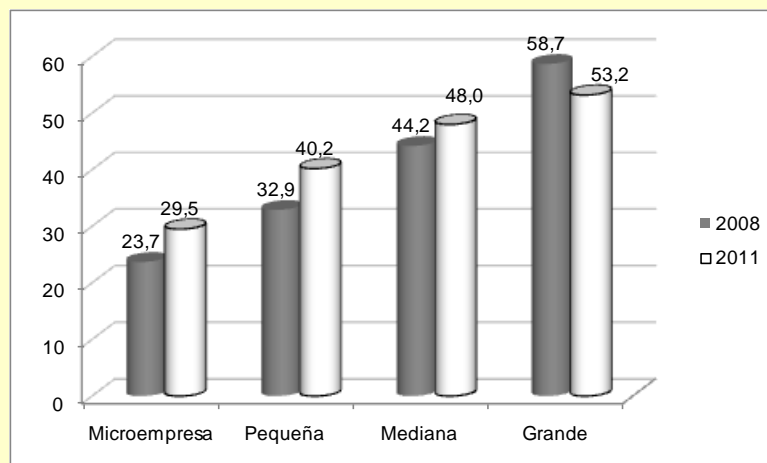
The share of young people (between 18 and 25) also presents itself as a great challenge, which even drops slightly in relation to 2008. Only 15% of the employees correspond to this age segment, compared with 15.2% in 2008. Although the drop can be partly explained by more learning years, it still calls our attention how small this figure is, considering that there are very few young people of the first income quintile who attend higher education. The smaller firms hire less youth, which could be an indicator of the minimum wage level being actually a discouragement to hire them in this type of businesses. Consequently, policies such as the juvenile work bonus are positive and probably require a more extensive dissemination.

The survey's results also show the excessive centralization of the business sector in Chile. 49.3% of the firms are located in the Metropolitan Region (RM), followed by Valparaiso with 9.4% and Biobío with 9.3%. The business activity in the extreme regions is practically inexistent. Therefore, everything that is done to facilitate the creation of businesses is positive, since if it is a complex process in Santiago, the distance from the capital probably makes it still more complex. Maybe it would be propitious to find a way to strengthen the regions in this area. The situation is even worse concerning large companies, because 71.2% are located in the RM.

A relevant feature of the survey refers to the contracting forms. Results show that 75.5% of the contracts are indefinite, a higher percentage than in the previous survey (71.8%), which indicates an improvement in this aspect. This type of contracts also shows an increase in their average duration, indicating an upward labor stability trend. Thus, contracts of three years or less represent 44.6%, compared to 50.4% in 2008. The fixed-term contract and by work represent 23.3%, a smaller percentage than the 25.2% in 2008. So, the trend to reduce this hiring form is maintained, mainly in the sectors performing seasonal and/or definite duration activities, as in agriculture and construction.

Chart 1

PROPORTION OF FIRMS THAT OUTSOURCE WORKERS BY SIZE



Source: ENCLA 2008 & 2011.

The survey also shows items such as outsourcing and temporary employment providers. The first way of contracting is quite generalized and, in fact, it tends to increase from 30.5% in 2008 to 37.8% in 2011. This phenomenon is usually associated to a more precarious form of contract, which can be misleading, since it has much more to do with the firm's operative efficiency. That is the case for certain functions (cleaning and security are good examples thereof), which are outsourced because they have a radically different line of business and therefore, specialized firms have comparative advantages for making them in a better way. It is also true that, sometimes, when social benefit policies in the firms are very generous, outsourcing schemes are preferred for the jobs with lower salaries, since social benefits can turn into a prohibitive fixed cost that can negatively affect contracting. Additionally, in these cases outsourcing becomes a necessary mechanism to ensure the firm's competitiveness. Consequently, it is reasonable to think that these working forms tend to rise in an economy which develops in a competitive environment. As expected, outsourcing is mainly used in large companies, although as Chart 1 shows, its relevance has decreased in this group and increased in the rest of the firms.

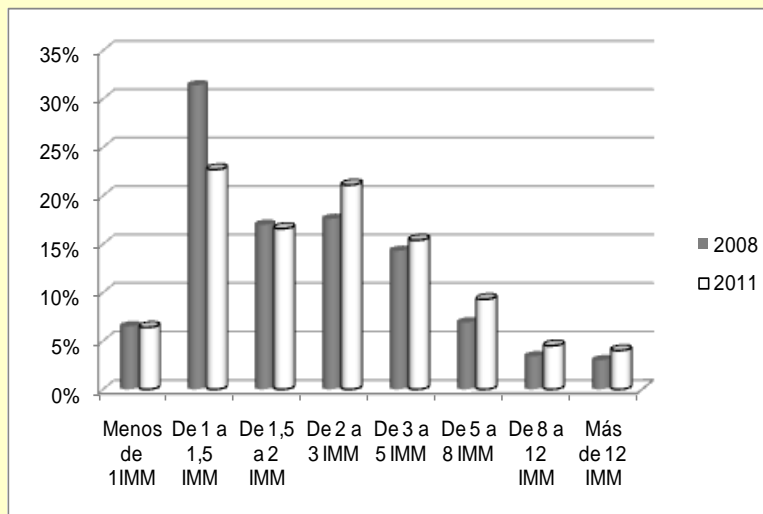
In relation to temporary employment providers, it is not a very common feature in Chilean firms, although it also shows an upward trend, totally explained by small business. In 2008 it was used by 2.8% of the firms, while in 2011 it accounted for 3.6%.

We observe a significant improvement in terms of remuneration, which is consistent with the figures of the National Statistical Institute (INE), since the proportion of employees who earn low incomes decreases, and the

proportion of employees who earn middle and high incomes increases, as shown in Chart 2.

Chart 2

PROPORTION OF EMPLOYEES BY REMUNERATION LEVEL



Source: ENCLA 2008 & 2011.

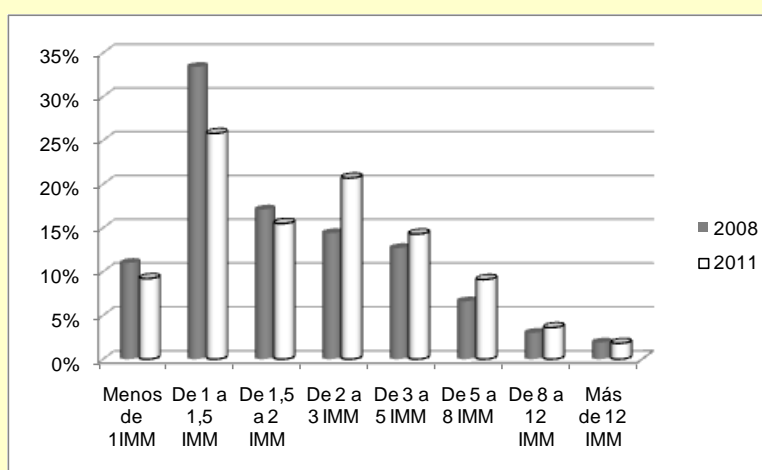
Note: IMM means Monthly Minimum Income.

The segment earning between 2 and 3 IMM (between CLP\$390 thousand and CLP\$580 thousand) shows the highest increase, while the segment that most decreases is the one earning between 1 and 1.5 IMM (between CLP\$193 thousand and CLP\$290 thousand), which indicates that the lower middle class had the highest remuneration level increase between 2008 and 2011. Additionally, an indicator of this improvement is the fact that, according to the survey, 8.1% of the workers earn the minimum wage, and although there are no comparable data available for the ENCLA 2008, information from the CASEN survey shows that this percentage has dropped.

If the above data are distinguished by sex, the proportion of women earning incomes below 2 IMM decreases significantly, the proportion of those earning between 2 and 8 IMM increases and the proportion earning high incomes remains practically stable, as shown in Chart 3.

Chart 3

PROPORTION OF FEMALE EMPLOYEES BY REMUNERATION LEVELS



Source: ENCLA 2008 & 2011.

On the other hand, the proportion of male employees earning low incomes also drops and the middle and high income segments increase, which means a salary gap increase for high income employees, which is also evident when comparing the CASEN 2009 and 2011; this could be partly explained by the maternity allowance extension, which although it is parental, in practice it discourages women hiring in positions with greater responsibility. A way of mitigating the problem is to provide greater flexibility to this allowance.

Moreover, if we analyze remunerations by age segment, the incomes of employees older than 25 years tend to improve in a greater proportion, and within this group, the highest increases are for middle incomes.

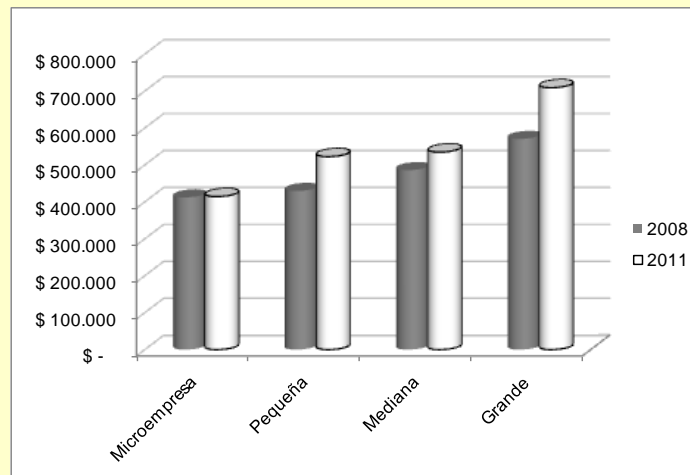
By size of business, we observe an increase in the absolute level of average income in the four categories; major increases are found in large companies (24.3% real), followed by small ones (21.6% real), as shown in Chart 4 (expressed in 2011 currency).

In the item of labor training, the comparison of both surveys also gives a quite significant improvement in the percentage of employees who have

received training, mostly in medium and large businesses. Considering that, as shown in the chart above, this group of firms pay on average higher remunerations, data confirm the importance of the SENCE'sⁱⁱ coming reform, with the aim of better focalizing these programs' funds. Trained employees go from 22.3% to 38.1% of the total.

Chart 4

AVERAGE REMUNERATION LEVELS BY BUSINESS SIZE



Source: ENCLA 2008 & 2011.

Another interesting aspect refers to the level of conflict within the company, information that is especially relevant in the atmosphere of greater social effervescence of the last two years. As shown in Table 1, there is usually a very small perception of conflict, and only among labor union leaders it is relatively high. A scarce 1.7% of the employees believe there is frequent conflict in the company, while 69% believes there is none. However, it should be noted that these results show a slight decay in relation to 2008; given the general improvement in the other indicators, this could be explained by this more conflictive global atmosphere. Anyhow, it is a very marginal increase.

In terms of risk prevention, we also observe an improvement in relation to the previous survey, together with a decrease of all the factors considered risky by the employees. This is a signal of a better health and safety environment at work and, consequently, an improvement in the quality of work.

One last factor that can be compared between both surveys is unionization. We observe a larger number of firms with labor unions, from 5.1% in 2008 to 7.8% in 2011. This small percentage is explained by the fact that most of the firms in the sample are micro and small businesses. Most of these labor unions are not members of any national federation (an increasing percentage in relation to 2008), which evidences the low representativity of these organizations.

Table 1

PERCEPTION OF EXISTANCE AND FREQUENCY OF LABOR CONFLICT IN BUSINESSES

	2008			2011		
	Frequent	Isolated	Inexistent	Frequent	Isolated	Inexistent
Employers w/ Labor union	0.6%	45.3%	54.1%	1.8%	51.5%	46.7%
Labor union Leaders	23.1%	42.1%	34.8%	11.6%	46.6%	41.8%
Employers w/o Labor union	0.3%	15.4%	84.3%	0.6%	24.1%	75.3%
Employees	1.3%	22.0%	76.6%	1.7%	29.4%	68.9%

Source: ENCLA 2008 & 2011.

Conclusions

The results of the ENCLA survey 2011, compared to 2008, are an additional demonstration of the favorable labor results of the last three years. There are not only quite important wage increases, but labor safety and training levels also improve. This progress takes place in a context which actually increases outsourcing of employees, except in large companies where it decreases. The fact that this is given in a context of better overall labor conditions is an indicator that the outsourcing process has probably much more to do with the firm's operative efficiency than with the intention of reducing labor benefits.

As a whole, in the survey we perceive a favorable labor atmosphere, with very low conflict percentages among employees and employers, although with a slight increase in relation to the 2008 situation. It is highly probable that this decay is influenced by the higher social conflict environment in the

country. Those who perceive a greater conflict scenario are labor union leaders, but they improve their perception in relation to 2008.

This survey also evidences the country's main challenges in labor matters: to increase women and youth participation –especially the latter, where there is no improvement – and better focalizing public funds in training, since employees of large businesses are still the main beneficiaries of these processes.

In brief...

MAIN RESULTS OF ENCLA SURVEY 2008/2011:

- Almost 94% of the Chilean firms are micro or small businesses.
- Most firms in Chile are still characterized by male employees. The labor feminization rate (businesses where female employment represents more than 50%) remains practically unchanged in relation to 2008.
- The participation of young people (between 18 and 25) drops slightly.
- There is too much centralization in the Chilean business sector, since 49.3% of the firms are located in the Metropolitan Region.
- The percentage of indefinite contracts increases.
- Concerning the remunerations, and consistent with the figures of the National Statistical Institute, there is a significant improvement.
- The percentage of employees who have received training has grown.
- In general, there is a much reduced perception of conflict.

ⁱ Therefore, firms with less than five employees, public administration and national defense bodies, public universities and extraterritorial organisms are excluded.

ⁱⁱ National Service of Training and Employment