CÁMARA
CHILENO BRITÁNICA
DE COMERCIO

Doing Business in Chile
Guide 2025

LABOUR LAW
AND
SOCIAL SECURITY

EXECUTIVE SUMMARY

LABOUR LAW

Labour relations are regulated by the Chilean Constitution and the Labour Code. The right to work and the right to work in a non-discriminatory environment are established in Article 19, Nº. 16 of the Constitution and in Article 2 of the Labour Code.

In addition, the Constitution acknowledges the right to form a union, to bargain collectively and to strike. The Labour Code regulates labour relations in the private sector. Workers in the public and municipal sectors are subject to a special statute.

The government agency responsible for interpreting and applying labour law is a division of the Ministry of Labour (Dirección del Trabajo) which has regional offices all over the country, called Labour Inspectorates (Inspecciones del Trabajo). Although it is a decentralized public service, this agency is supervised by the President of the Republic through the Ministry of Labour and Social Security (Ministerio del Trabajo y Previsión Social).

In addition, there are dedicated labour courts which form a branch of the judiciary. The labour courts hear and try to resolve disputes between employers and employees, and other labour related issues. Decisions taken by the labour courts can be challenged by the corresponding Appeal Court and by the Supreme Court.

MAIN REGULATIONS AND AGENCIES

DISCRIMINATION, HARASSMENT, CONSTITUTIONAL RIGHTS ENFORCEMENT AND PRIVACY REGULATIONS

Anti-discrimination regulation

Article 2 of the Labour Code prohibits, and sets out penalties for, any form of discrimination against an employee, whether this be distinctions, exclusions or preferences based on motives of race, colour, gender, age, marital status, union relationships, religion, nationality, financial situation, language, beliefs, participation in union organisations, gender identity, personal appearance, disease or incapacity, membership of parties or institutions, political beliefs, sexual orientation or social class, aimed at removing or altering the equality of opportunity or treatment in employment and occupation.

Anti-harassment protection

Harassment, is severely penalised. In January 2024, Law No. 21,643 was published, which modifies the Labour Code and other regulations regarding the prevention, investigation, and sanction against bullying, sexual harassment, and violence in the workplace (known as "Karin Law"). This law obliges companies and state agencies to have a protocol for the prevention of bullying, sexual harassment, and violence at work. In addition, it defines the investigation process in case of a possible complaint for these concepts and incorporates the term "violence at work". This law will enter into force in August 2024.

Any employee who has been subjected to harassment has the right to file a claim for self-dismissal (autodespido) in situations where the employer fails to provide adequate protection for the victim of harassment.

Employee´s constitutional rights protection

The Labour Tutelage Procedure (Procedimiento de Tutela Laboral) safeguards several fundamental rights of employees, including: (i) the right to life, physical and psychological integrity; (ii) respect for and protection of private life, honour, and personal data, particularly in relation to the inviolability of private communications;

(iii) protection of the inviolability of their homes and private communications; (iv) freedom of conscience, the expression of all beliefs, and the free exercise of religions; (v) freedom of expression; and (vi) the freedom to work

The Tutelage Procedure, conducted before the labor courts, eases the burden of proof for employees when demonstrating breaches of their constitutional rights in the workplace. Instead of providing concrete evidence, employees only need to establish specific indicators of a rights violation, referred to as "indicios" (indications), resulting from the actions of the employer. Upon confirmation of these indications, the employer is then required to provide a reasoned explanation for the justification, non-arbitrariness, proportionality, and preservation of the essential content of the employee's allegedly infringed constitutional rights in the exercise of their authority.

If the infringement occurred during the employee's dismissal or as a result of the dismissal itself, the employer is obligated to pay a severance indemnity determined at the discretion of the court. This additional severance indemnity, in addition to the statutory severance for unjustified dismissals (refer to the Termination of Employment section below), must be no less than the equivalent of six months' salary and no more than the equivalent of eleven months' salary.

Labour Data Privacy regulations:

Article 154 bis of the Labour Code safeguards the personal data and privacy of employees. According to this provision, employers are required to maintain the confidentiality of all personal information obtained through labour agreements.

Additionally, there is an ongoing legislative discussion in Congress concerning a bill aimed at regulating data privacy matters. This bill will introduce fresh obligations and standards for companies handling personal data, encompassing employee-related information.

Distinction between an employee and an independent contractor

The primary factors to be considered when determining whether an individual is an employee, or an independent contractor, are the elements of “dependency and subordination”.

Article 7 of the Labour Code delineates the individual work contract as a pact between the employer and the worker, wherein both parties commit to reciprocal obligations. Here, the worker agrees to provide personal services under

the employer's direction and subordination, while the employer agrees to provide specific remuneration for these services.

The terms "subordination" and "dependency" encapsulate the legal context in which the worker is obligated to adhere to the directives and commands issued by the employer, based on the latter's authority. In this dynamic, the dependent worker operates on behalf of the employer and relies economically on this engagement.

On the other hand, the independent worker delivers professional services, not subject to set working hours and with no exclusivity, so that he or she may provide services to several companies simultaneously.

Chilean legislation does not contain definitions of dependency or subordination. But administrative and judicial jurisprudence is abundant on weighing indicative factors in order to test or identify the existence of a labour relationship.

REGULATIONS REGARDING THE HIRING OF EMPLOYEES

Under Chilean law, employers cannot give preference to a particular group of people. Non-discrimination laws are strict and preferential hiring of individuals or groups of individuals is allowed only as an exception. One exception is that in companies with over 25 employees, 85% of the workforce must be Chilean citizens.

Restrictions and prohibitions against background checks for applicants

The only restriction on background checks is that they may not include medical examinations, including pregnancy tests. The law makes no distinction regarding who can select or recruit applicants. In fact, it is common for an employer to hire a third party to recruit employees.

The Labour Direction, in its interpretation of the country's anti-discrimination legislation, states that a prospective employee cannot be compelled to undergo a medical examination as a condition of employment. The authority has ruled on a case-by-case basis that only in exceptional circumstances can an applicant be required to undergo medical checks. For example, those applying for positions that involve working at extreme altitudes or depths, and the piloting of aircraft, fall into this category. Another example is women applying to work in certain food industries that require vaccines that can be abortive. In such specific cases, a pregnancy test is allowed.

In cases such as these, an employer may legitimately refuse to hire an applicant who does not agree to be examined.

Restrictions or prohibitions against drug and alcohol testing of applicants

Companies may only conduct drug tests to prevent accidents, but not as a means of accepting or retaining employees.

However, exceptionally and on a case-by-case basis, the Labour Direction has allowed drug testing of applicants whose role would involve performing tasks that, from an occupational health viewpoint, could not be carried out safely by a person under the influence of drugs. This exception has been applied to the air, sea, and land transportation sectors. In such specific cases, an employer may refuse to hire an applicant who does not agree to an examination.

THE EMPLOYMENT CONTRACT

Minimum employment agreement content

The employment contract must be agreed in writing. Under Article 10 of the Labour Code, there are several essential elements which must be included in every contract. These include the name, nationality, address and email of all parties, and the employee´s date of birth, duties, place of work, work hours, remuneration and starting date. The employer must make available to the employee the contract in writing within 15 days of the worker's hiring date or within five days if the job involves a specific project or service or if the contract will last for less than 30 days. Failure to do so may result in an administrative fine.

Type of contract (Fixed-term and indefinite employment contracts)

Chilean Labour Law prefers indefinite term contracts, but it allows fixed-term contracts. The maximum fixed-term duration is one year, but for managers and professional personnel it is two years.

The law establishes several ways a fixed-term contract can become an indefinite contract. A worker who has provided discontinuous services under two or more fixed term contracts for a total of 12 months or more, within a 15-month period commencing from the first hiring date, will be lawfully presumed to be hired on an indefinite term basis. Likewise, if the worker, with the knowledge of the employer, continues providing services after the expiry of

the fixed term, the contract becomes an indefinite term contract. Finally, the second renewal of a fixed term contract has the same effect.

Furthermore, there exists a contract termed as "specific work or service," wherein the employee is obligated to undertake a particular and defined material or intellectual task for the respective employer. Unlike the individual work contract, the duration of this agreement is confined to the completion of the designated work or service.

Following signature, the employer has to electronically register the employment contracts on the portal of the Labour Directorate within fifteen days.

Probationary periods

The law does not formally recognise probationary periods. The only people who can be employed for a probationary period are those who perform domestic work at the home of an employer. In this case, the probationary period can be no longer than two weeks.

It is common practice for employers to offer a fixed-term contract initially, often serving as a probationary period, with the possibility of transitioning to an indefinite agreement upon successful completion of this probationary period.

Working hours

Starting from April 2024, article 22 of the Labour Code sets a limit of 44 hours per week for employees subject to the ordinary working hour regulations. The employer must schedule these hours in no less than five and no more than six days in the week1. Overtime is limited to two hours per day.

Law No. 21,561, progressively reduces the weekly working hours.

- 44 weekly hours since April 26, 2024
- 42 weekly hours since April 26, 2026
- 40 weekly hours since April 26, 2028

Furthermore, as of April 2024, Law No. 21,561 imposes restrictions on the categories of workers eligible for exemption from the workday limit. Specifically, exemptions are now limited to individuals serving as managers, administrators, attorneys-in-fact with administrative powers, and those engaged in tasks that inherently lack immediate supervision due to the nature of their work.

Retailers are permitted to extend an employee's ordinary daily shift by up to two hours during the period immediately preceding Christmas, Chilean national holidays, or other festive occasions. In such instances, any additional hours worked beyond the standard 44-hour weekly limit, or the number of hours specified in the contract if less than 44 hours, are considered overtime and must be compensated accordingly.

Specific rules apply to certain categories of workers, including those employed in hotels, clubs, theatres, and restaurants, as well as individuals working on fishing boats.

Part-time employees

Regarding part-time employment, an employee cannot work more than two thirds of the stipulated maximum weekly limit. Therefore, a part-time employee can work a maximum of 30 hours per week.

The parties may agree on alternative ways to distribute the part-time employee’s working hours. In this case, the employer, by giving notice at least one week in advance, may choose one of the agreed alternatives, to come into effect following the one-week notice period.

Overtime payments

In general, every employee subject to a working hour limit is entitled to overtime pay. Exceptionally employees that are exempted from the workday limit are not entitled to overtime pay .

The general rules applicable to overtime payment are:

- Overtime pay is 50% higher than regular pay.
- Overtime is allowed for jobs that do not damage the health of the worker.

- Overtime must be mutually agreed in writing by the parties, and can only take place to address temporary labour needs or specific situations for a given company. Such covenants may only be valid for a maximum of three months, which the parties can agree to renew.
- The Labour Inspection, acting on their own initiative or on request, may prohibit overtime work in operations that, considering their nature, damage the health of the worker. This type of decision may be challenged before the Labour Courts within 30 days.
- From April 2024, the Law No. 21,561, overtime may be compensated by granting additional vacation days of up to 5 working days per year.

HOLIDAYS AND ABSENCES

The annual holiday entitlement is 15 working days. Saturdays, Sundays, and public holidays are not included in the calculation of this 15-day period.

In Chile, employers generally prefer their workers to take their holidays in spring or summer or at non-critical times for the business. The holiday period should be continuous, but may be spit up after the first 10 days have been taken, but by mutual agreement with the employer.

The parties may also consent to accumulate vacation leave, but only up to two consecutive periods.

Once two consecutive periods have been accumulated, the first period must be taken before the worker finishes the year and becomes entitled to another period of holiday leave.

Holiday leave does not accrue for workers in companies or establishments that, because of the nature of their activities, shut down during certain periods of the year. In this case the interruption period must not be less than the legal holiday leave, and workers must have received the normal remuneration as stipulated in their contracts.

Right to sick leave or sick pay and the right to take a leave of absence.

Law 18,469 establishes the right to sick leave and sick pay.

Article 4 in DFL 44 of 1978 states that an employee is only entitled to sick pay after at least six months of membership of their health insurance scheme. The employee must also have made three months' worth of contributions to the system prior to the starting date of the period of sick leave.

There is no annual limit to sick leave or sick pay. The employee is entitled to sick leave or sick pay every time that he or she is ill, provided the membership and contribution requirements have been met.

Right to leave of absence

Only absences due to illness, pregnancy and maternity/paternity leave entitle workers to receive pay. There is no statutory time limit. The parties must agree on any other kind of absence.

The worker will keep his or her job but will not receive compensation while he or she is serving in the national military reserve forces.

OTHER REGULATIONS APPLICABLE TO THE EMPLOYMENT RELATIONSHIP

Labour flexibility

Since April 2020, remote and telework arrangements have been made available. These modalities must be formalized in writing, specifying certain key aspects:

(i) Whether the arrangement is total or partial, with clarification on how this hybrid method will be implemented in the latter case.

(ii) The specific location(s) where the services will be performed.

(iii) The duration of the telework arrangement, whether indefinite or subject to a specified term.

(iv) Methods of supervision or control employed by the employer to oversee remote work.

(v) The establishment of a disconnection time, ensuring that employees have at least 12 hours of uninterrupted rest within a 24-hour period.

In addition, Law No. 21,561 of 2023 and Law No. 21,645 introduced essential provisions to promote work-life balance for employees, facilitating the balance of personal and family commitments with their professional obligations:

Law No. 21,561 established a two-hour window, enabling employees who are parents of children aged 12 years or younger to request the adjustment of their daily work schedule, either by starting earlier or later. This adjustment also determines their daily departure time from work.

Law No. 21,645 grants working parents or carers the right, within the legal constraints, to use vacation days during school vacation periods. Furthermore, they are entitled to request total or partial remote work or telework, provided that the nature of their job responsibilities allows for such arrangements.

Non-compete clauses.

During the labour relationship, the labour agreement may stipulate a non-compete clause for the employee. The Labour Code establishes that an employee can be dismissed without indemnity if he or she engages in business activities that are the same as the previous employers.

Non-compete clauses that extend beyond the termination of the employment agreement are partially permissible under Chilean jurisprudence. However, this allowance is subject to the constitutional right of "freedom of work," which encompasses the liberty to contract freely and select employment opportunities.

Certain legal precedents have recognized the validity of non-compete clauses post-termination, albeit under specific conditions. These clauses may be upheld for a limited duration and only if the employee receives a severance payment exceeding the statutory minimum. This payment must be substantial enough to be deemed adequate compensation for the period during which the employee is restricted from engaging in work for the employer's competitors.

Employee benefits mandated by law.

According to Chilean law, if a company generates profits, it is required to provide an annual profit-sharing bonus (Gratificación Legal) to its employees. The standard regulation mandates that the employer allocate 30% of its profits to the workforce, proportionally distributed based on each employee's remuneration for the year.

However, an alternative method exists to fulfil this obligation, which involves paying employees 25% of their annual remuneration, with a maximum cap set at 4.75 times the minimum monthly wage (Ingreso Mínimo Mensual), approximately equivalent to EUR 2,075 per year. In practice, most companies opt for this alternative method.

Liability of an employer for the conduct of its employees

An employer is held legally liable for the acts or conduct of an employee only when the employee is carrying out orders given by the employer or, for example, when the act or conduct of the employee could have been avoided through supervision or training. In these cases, the employer's liability for the acts or conduct of the employee and the compensation for damages are settled by the civil law courts.

In 2023, the Chilean Congress enacted a new Corporate Crime Act (Ley de Delitos Económicos, No 21,595), which modernizes the regulatory framework governing corporate offenses in Chile. Under this legislation, a company (as a legal entity) can be held criminally accountable for offenses falling within the scope of Law No. 20,393 if they are committed in connection with its activities and involve the participation of any individual occupying a position, function, or office within the company, or by providing services while representing its interests before third parties. This liability applies when the commission of the offense is facilitated or enabled by the absence of an adequate compliance program to prevent such crimes.

Employment-related taxes

Salaries are subject to the (Impuesto Único de Segunda Categoría), commonly referred to as the workers' income tax. Employers are responsible for withholding this tax from their employees' salaries and remitting it to the Public Treasury. This tax operates on a progressive scale, with rates ranging from 0% to 40%, depending on the level of employment income. Consequently, higher salaries incur higher tax rates.

Employee inventions.

According to Law 19,039, the entitlement to register and hold property rights over inventions or creative products resulting from works conducted under labour and service contracts rests solely with the employer or the individual commissioning the service, unless expressly stated otherwise.

This also applies to software, which in Chile is protected under the Copyright Statute Law 17,336.

An employee not obligated by their labour contract to perform inventive or creative tasks retains the right to apply for registration, with all resulting industrial property rights exclusively belonging to them. However, if the invention utilizes knowledge or resources acquired from the company, ownership reverts to the employer, necessitating additional compensation to the employee, to be determined mutually. This provision also extends to individuals surpassing their designated tasks to create an invention.

Chapter II of Law 17,336 specifically addresses the intellectual property rights of software developed within a labour relationship. According to this law, the rights to software created by employees during their work duties are owned by the employer, unless explicitly stated otherwise..

The entitlement to register and hold property rights over inventions and creative works produced by individuals employed, whether dependent or independent, by universities or research institutions listed in Executive Order Nº 1.263 of 1975, lies with the university or research institution itself or any party they designate. This provision is subject to the institution's by-laws governing the rights and benefits of its employees.

Waiver of employment statutory and contractual rights.

Labor rights cannot be waived while the employment contract is active. However, upon its termination, the employee and employer may negotiate and agree to waive these rights.

TERMINATION OF EMPLOYMENT

Dismissal is treated on a case-by-case basis, even in cases where many workers are dismissed at the same time. Chilean Law has no special rules in the case of mass dismissal.

Grounds for termination of the employment contract.

Termination must be justified, and various scenarios for termination are governed by the Labor Code.

1. Article 159 Labour Code grounds for termination :
    a. Agreement by the parties
    b. Employee resignation
    c. Death of the employee
    d. Expiration of the agreed term.
    e. Completion of the work or service originating the contract.
    f. Force Majeure or act of God.

2. Article 160, Labour Code grounds for termination :

Termination of employment may occur under various circumstances as stipulated by the Labour Code, including:

a. Duly substantiated serious misconduct by the employee, such as lack of probity, sexual harassment, aggression towards the employer or colleagues, insults towards the employer, or immoral conduct affecting the company.

b. Engagement in negotiations conflicting with the company's business activities, explicitly prohibited in writing by the employer.

c. Unjustified failure to fulfill work duties as defined by labor legislation.

d. Abandonment of work by the employee as defined by labor legislation.

e. Actions, omissions, or reckless behavior jeopardizing the safety, operation, or health of the establishment, employees, or their well-being.

f. Intentional material damage to installations, machinery, tools, products, or goods.

g. Serious breach of contractual obligations imposed by the employment agreement.

3. Article 161 outlines grounds for termination as follows :

a. Redundancy dismissal due to company needs, such as streamlining, modernization, productivity declines, or market/economic changes necessitating the dismissal of one or more workers.

b. Special written termination applicable to executives with management authority or employees of exclusive confidence, who may be dismissed by notice (Desahucio) without justification.

4. Article 163 bis allows termination upon the judicially declared bankruptcy of the employer.

Procedures in case of termination of employment (Severance)

As a rule, upon the termination of an employment agreement, the employee is entitled to receive all pending or outstanding items. These entitlements should be clearly documented in writing as part of the termination agreement or settlement, commonly referred to as "finiquito del contrato de trabajo."

The usual items to consider in the case of severance are:

a. Outstanding salary (payment for days worked prior to termination).

b. Accrued (proportional) vacation days: Article 74 of the Labour Code stipulates that upon termination of employment, employees are entitled to compensation for any outstanding holiday pay owed. This compensation is tax exempt.

c. Indemnification in lieu of notice: This is applicable only under Article 161 grounds and if the employer fails to provide a 30-day notice.

d. Severance payment applies when the employment agreement has been in force for a year or more and falls under Article 161, covering scenarios like company needs or special written termination. It equals one month's salary per year of service, capped at 90 UF per year (around EUR 3,160) for a maximum of 11 years.

Severance is tax exempt up to a certain point, which is equal to the number of years of service multiplied by the average monthly wage (adjusted for inflation) of the preceding 24 months.

Right to challenge the termination ground by the employee:

If the employee challenges the justification for termination cited by the employer in court and it's deemed unjustified, the employer may face penalty payments:

- 30% for termination for "company's needs".

- 50% for improper application of Article 159.

- 80% for improper application of Article 160.

Notice of termination.

In cases of dismissal due to "company needs" or Desahucio, the law mandates that the employer must provide the employee with a 30-day advance termination notice. Alternatively, if the employer opts not to provide this notice, they must make a payment equal to the last monthly salary, capped at 90 UF, in lieu of notice.

Procedural requirements for dismissing an employee.

Chilean law mandates a structured administrative procedure for terminating employment contracts:

- Employers must provide written notice of dismissal, with reasons, within three days of the termination date, either in person or via registered mail. Social security payments must be current at the time of dismissal, but outstanding payments can validate the dismissal if settled along with wages and accrued obligations.

- To validate dismissal, employers must include either a certificate of social security compliance or relevant payment receipts.

- Employers must inform the labour authority in writing about the dismissal and electronically register the termination within three working days on the Labour Direction's website, extending to 10 days for mutual agreements, resignations, or employee deaths.

- Finally, employers must provide employees with a release document (Finiquito) stating the termination reason, severance payments, and confirming no further monetary obligations.

For the release document to be valid, the employee must sign it before an authorized witness, usually a notary public.

Dismissal does not require prior approval from any government agency.

Employee's protection from dismissal.

Employees have a certain amount of protection from dismissal if they are on sick leave or has labour privileges. Those protected include union leaders, pregnant women, employees engaged in a collective bargaining process with the company, and workers who are members of the company's work safety committee.

These workers may only be dismissed if the company is authorised by a labour court.

Dispute resolution.

Employment disputes are exclusively settled by labour courts, as mandated by law. Article 420 of the Labour Code delineates the specific issues that fall within the jurisdiction of these courts.

STATUTE OF LIMITATIONS FOR PRESENTING EMPLOYMENT CLAIMS

The statute of limitations for filing employment claims is 60 working days from the dismissal date. However, if the Labour Directorate intervenes due to a claim related to the dismissal, the deadline extends to 90 working days.

In cases concerning other worker rights, the statute of limitations is two years from when the rights became enforceable. However, after the termination of the employment contract, claims must be presented to the court within six months. The existence of these two distinct time limits has resulted in conflicting court decisions.

There are other special limitation periods, for example, the term to file an overtime pay claim is six months from the date the payment is due.

LABOUR ORGANISATIONS

Unions are regulated by the Labour Code.

The right to establish labour organisations such as unions, federations or confederations without prior authorisation is acknowledged.

Membership is personal and voluntary. Workers may only belong to one union for each position of employment they hold.

The purpose of unions, as stated in the law, is to represent workers in collective bargaining proceedings, to further the exercise of worker rights arising from labour contracts, encourage communication and cooperation between employers and employees, monitor compliance with social security and labour laws and regulations, help members, promote education, improve workplace safety, and provide non-profit services to members.

SOCIAL SECURITY

This article reviews some of the most important regulations related to the Social Security system in Chile.

The components of the current system are:

- The Pension System, covering old age, disability, and death.
- The Health System, covering illness and pregnancy.
- Work Accident and Occupational Illnesses Insurance, covering Health and Safety at work.
- Unemployment Insurance.

According to Laws 3,500 and 3,501, employers are required to make the following monthly social security contributions on renumerations:

a) 0.93% in respect of labour-related accident insurance. This is capped at a floating amount which is calculated by reference to an inflation-adjusted monetary unit unique to Chile called the Unidad de Fomento (UF). There may be an additional contribution of up to a maximum 3.4% depending on the employment risk.

b) 2.4% compulsory unemployment insurance contribution subject to the floating cap for permanent contracts, and 3% for fixed-term contracts; and

c) 1.49% for life and disability insurance. In the case of a job position that is qualified as "heavy work," the employer must contribute an additional percentage of the employee´s pension fund, which can be 1% or 2%, capped at a floating amount.

The main social security contributions borne by employees and withheld by the employer are:

d) 7% for health insurance.

e) 10% for pension fund. capped at a floating amount.

f) 6% for unemployment insurance for permanent contracts.

For the purposes of calculating these contributions, the employees' taxable pay is capped of 84.3 UF (approximately EUR 2,960), except for unemployment insurance, which is capped at 126,6 UF (approximately EUR 4,450).

1. PENSIONS

Workers contribute to their retirement fund with a 10% contribution from their monthly salary, up to a salary limit of 84.3 UF. This expense is deductible from income tax. The contribution is withheld from the employee's salary and declared and paid by the employer to the employee's Pension Fund Administrator. The contributions form a capital fund to finance their future pension (capital fund system). Employees can choose from several competing fund administrators "Administerdores Fondos de Pensiones" (AFP's).

The AFPs are private for-profit organisations, who charge the employee an administration commission of between 0.49% to 1.45% of their gross salary. The percentage varies according to the AFP chosen.

Workers have the right, not the obligation, to retire at the age 65 in the case of men, and at 60 in the case of women.

2. ACCIDENT AND ILL HEALTH INSURANCE

Companies pay 1.49% of their employees' gross salary for Disability and Survival Insurance "Seguro de Invalidez y Sobrevivencia" (SIS). This insurance provides coverage in the case that an employee becomes incapacitated or dies (proceeds go to nominated dependants) before having sufficient funds to retire.

For employees doing "heavy" work, that accelerates physical, intellectual, or psychological exhaustion, the employee and the employer must pay, in equal amounts, an additional contribution of between 1% and 2% of the taxable salary. The exact amount is determined by the National Ergonomic Commission and capped at a floating amount.

If the accident or illness that causes disability or death is a direct consequence of a work accident or a related occupational illness, coverage is provided by Work Accidents and Occupational Illnesses insurance, which is governed by Law 16,744. The payment of this insurance is financed by the employer, who pays a basic contribution equivalent to 0.93% of the taxable earnings of the worker plus an additional contribution of between 0.00% and 6.80% of the salary, determined according to the effective accident rate. This is over the same salary cap of 84.3 UF.

3. GENERAL HEALTH INSURANCE

Health insurance is covered by Decree Law Nº 3,500, and two systems coexist: a public system "Fondo Nacional de Salud" (FONASA) and a private system, through health insurance companies "Instituciones de Salud Previsional" (ISAPREs). In both cases, employees must contribute 7% of their monthly salary up to a maximum salary of 84.3 UF, which is deductible from income tax. For ISAPRE coverage, the law allows additional contributions above the 7% for employees who opt for upgraded cover.

4. CHILDBIRTH ALLOWANCES

Mothers are normally entitled to:

- Pre-natal leave which starts 6 weeks before the estimated birth.
- Post-natal leave of 12 weeks after childbirth.

Fathers are entitled to 5 days of paid leave after the birth of their child.

Both the pre-natal and post-natal leave are specifically applicable to mothers, and are covered by a subsidy of 100% of salary but with a cap of 84.3 UF cap (approx. USD $3,668).

There is a further entitlement of an additional 12-week post-natal leave which can be taken in several different ways:

1. The mother takes the additional 12 weeks with 100% of salary subsidy.

2. After 6 weeks the following 6 weeks can be transferred to the father starting from the 7th week. So, the mother returns to work after 18 weeks and the father takes paternity leave from week 19 to week 24.

3. Instead of taking the 12 additional weeks of full-time maternity leave, the mother can elect to return to work on a half day basis for a further 18 weeks. This period will be covered by 50% pay and 50% subsidy.

4. After 6 weeks the part time leave and subsidy can be transferred to the father, and the mother will return to work full time.

5. UNEMPLOYMENT INSURANCE

It is mandatory for all employees with an employment agreement regulated by the Labour Code to be covered by unemployment insurance.

The scheme is based on creating individual savings accounts to cover the risk of unemployment and is operated by the Unemployment Funds Administrator “Administradora de Fondos de Cesantía” (AFC). It is jointly funded by the employees, the employers and by the state.

The employer must make a 2.4% compulsory unemployment insurance contribution on remuneration subject to the floating cap for indefinite employment agreements (0.6% is borne by the employee), and 3% for fixed-term contracts.

The scheme was introduced by Law 19,728 and protects workers, whatever the cause of the termination of their employment. It goes into effect when people become unemployed for voluntary reasons (resignation) or involuntary (termination). Once this occurs, the employees are entitled to make monthly withdrawals from their account.

Workers who are fired can withdraw the insurance money for up to five months and receive an income equivalent to 50% of their average earnings over the last year. When employees have insufficient funds in their saving account, they can access the Solidarity Fund (Fondo Solidario), a distribution fund created by the contributions of both the employer and the State. This fund is a common pool which does not belong to any particular worker and is used to provide benefits under necessary circumstances.

This insurance is mandatory for all employees hired since 2002, when the Scheme was introduced, but it is optional for workers hired before the enactment of the law.