

CHILEAN PENSION SYSTEM'S LEGITIMACY CRISIS: INSIGHTS INTO PUBLIC PERCEPTION AND SATISFACTION LEVELS

CRISIS DE LEGITIMIDAD DEL SISTEMA DE PENSIONES CHILENO: PERSPECTIVAS SOBRE LA PERCEPCIÓN PÚBLICA Y LOS NIVELES DE SATISFACCIÓN.

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ABSTRACT

This study explores the knowledge and perceptions of Chilean citizens regarding the pension system administered by the AFP (Administradoras de Fondos de Pensiones), which has faced widespread criticism for failing to address economic and gender inequalities. Despite reforms, persistent public dissatisfaction stems from low pension returns and high administrative fees. The research employs a quantitative observational methodology, systematically analyzing secondary data from the Social Protection Survey (EPS), a comprehensive and nationally representative longitudinal panel study conducted in Chile, with approximately 16,000 respondents. The survey collects detailed information on labor history, social protection, and financial knowledge. Descriptive statistical analysis was performed to identify significant patterns and emerging trends. Findings reveal significant dissatisfaction among affiliates, driven by inadequate pension amounts and a lack of trust in fund administrators. The study underscores the need for greater public confidence and enhanced equity within the system.



These insights are essential for guiding future public policy reforms, emphasizing the importance of understanding the factors shaping affiliates' perceptions. Addressing these issues is crucial for fostering a more equitable and socially legitimate pension system in Chile. The study contributes to the broader discourse on sustainable economic development by highlighting the need for structural reforms that align with public expectations.

Keywords: pension systems; gender inequality; Chile.

RESUMEN

Este estudio explora los conocimientos y percepciones de la ciudadanía chilena respecto al sistema de pensiones administrado por las AFP (Administradoras de Fondos de Pensiones), el cual ha enfrentado críticas generalizadas por no abordar adecuadamente las desigualdades económicas y de género. A pesar de las reformas implementadas, la persistente insatisfacción pública se origina en los bajos montos de pensión y las altas comisiones administrativas.

La investigación emplea una metodología cuantitativa de tipo observacional, analizando sistemáticamente datos secundarios de la Encuesta de Protección Social (EPS), un estudio longitudinal de panel, representativo a nivel nacional, realizado en Chile con aproximadamente 16.000 participantes. La encuesta recopila información detallada sobre historia laboral, protección social y conocimientos financieros.

Se realizó un análisis estadístico descriptivo para identificar patrones significativos y tendencias emergentes. Los hallazgos revelan una marcada insatisfacción entre los afiliados, motivada por montos de pensión insuficientes y falta de confianza en las administradoras de fondos. El estudio subraya la necesidad de fortalecer la confianza pública y mejorar la equidad dentro del sistema.

Estos hallazgos son esenciales para orientar futuras reformas de política pública, destacando la importancia de comprender los factores que configuran las percepciones de los afiliados. Abordar estos problemas resulta crucial para promover un sistema de pensiones en Chile más equitativo y socialmente legítimo. Asimismo, la investigación contribuye al debate más amplio sobre desarrollo económico sostenible, resaltando la necesidad de reformas estructurales que se alineen con las expectativas ciudadanas.

Palabras clave: Sistemas de pensiones; Desigualdad de género; Chile

1. INTRODUCTION

The global landscape of pension systems is a critical domain of socio-economic inquiry, with profound implications for social welfare and economic stability (Barr & Diamond, 2006). As populations age and economic disparities widen, the mechanisms by which societies ensure financial security for their elderly, disabled, or deceased members become increasingly pertinent (Barr, 2020). Pension systems are designed to provide income to individuals who can no longer generate earnings due to advanced age, disability, or death (Superintendencia de Pensiones, 2025). Countries, aligning with their development models, offer diverse alternatives: pay-as-you-go systems, where the working population's contributions finance retirees' pensions; individual capitalization, where workers save mandatorily for their pensions; and mixed models that combine elements of both (Ponce Blanco et al., 2023). These systems are not only financial instruments but also reflections of a society's commitment to social equity and intergenerational solidarity.

In this context, the Chilean pension system, established in 1981, stands as a paradigmatic case of individual capitalization. Under this model, workers contribute 10% of their earnings to fund their pensions through private pension fund administrators (AFPs) (Ehijos, 2020; Mesa Lago, 2021). This approach aims to maximize investment returns over time (Mesa Lago, 2022). However, despite its initial promise, the system has exhibited significant limitations, particularly in contexts of economic and gender inequality, leading to widespread distrust and social unrest (ILO, 2018). Public perception studies reveal deep dissatisfaction with the AFP system, primarily due to low returns and high fees, fueling skepticism about the future adequacy of pensions (Superintendencia de Pensiones, 2022).

A 2006 diagnosis highlighted that a substantial portion of the population lacked sufficient savings for retirement, exacerbated by factors such as labor informality and low female workforce participation (Berstein et al., 2010).

The system's deficiencies extend beyond economic outcomes, manifesting in a pronounced legitimacy crisis. The inadequate pensions it delivers undermine its legitimacy, compounding the inefficiency in providing welfare to the retired population (Méndez Gacitúa, 2024). This issue is critical, as the lack of trust, particularly from the citizenry, introduces substantial uncertainty and insecurity, threatening the system's long-term viability. According to the United Nations Development Programme's human development report (Larrañaga, 2024), the individual capitalization system has yielded poor results regarding pension amounts and public trust in fund administrators. Despite several reform attempts, yet the system remains a focal point of public and media scrutiny for over two decades (Larrañaga, 2024).

A concrete example of this discontent is the social upheaval that erupted on October 18, 2019, which questioned the system's social sustainability and delegitimized its structure among a significant segment of Chilean society. Many expressed dissatisfactions, primarily based on the low pension amounts, which averaged 259,000 pesos (330 dollars) in March 2019 (Balmaceda, 2022).

In this framework, there remains a lack of understanding of how affiliates perceive the system and what factors influence their trust in it. This gap in knowledge presents a critical opportunity for scholarly investigation.

To address this gap, the current study aims to understand the knowledge and perception of AFP system affiliates in Chile, analyzing their knowledge of the system, trust, and legitimacy. Advance in these issues, are essential for informing public reforms and designing pension systems under constant tension. The study contributes to the broader understanding of pension systems' legitimacy and the socio-economic factors influencing trust and satisfaction, offering valuable implications for public policy and sustainable economic development.

2. THE CHILEAN PENSION SYSTEM'S.

The historical evolution of the Chilean pension system provides vital context for understanding its current challenges. Chile was the first country in Latin America to establish a public social security policy in 1924 (Superintendencia de Pensiones, 2022). Initially, it adopted a pay-as-you-go model administered through pension funds. However, this system was criticized for being segmented, lacking portability of rights between funds, and managing a set of risks with a single contribution rate (Mesa-Lago, 2022).

In 1981, under the Pinochet regime, Chile transitioned to a market-driven neoliberal individual capitalization system, with defined and mandatory contributions for dependent workers (Presidential Advisory Commission on the Pension System, 2015). This change redefined Chilean social security around three pillars: a mandatory pillar with a 10% contribution rate, a voluntary pillar to improve future pensions through additional savings, and a solidarity pillar that provides pensions to those unable to participate in any pension scheme (Hyde & Borzutzky, 2015; Koval et al., 2020).

The mandatory pillar consists of three components: the 10% contribution allocated to the individual account, the AFP administration fee, and the premium for the Disability and Survivorship Insurance (SIS). The SIS covers the risks of disability and death, and its funding is deducted directly from the worker's contribution. Managed by the corresponding AFP, it is designed to protect the affiliate in the event of total or partial disability that prevents them from continuing to work, providing a disability pension based on the accumulated capital in their individual account, supplemented by the insurance resources. Additionally, in the event of the affiliate's death, the SIS grants survivorship pensions to legal beneficiaries, ensuring a continuity of income for their family.

This demonstrates that the fundamental and mandatory pillar is based on privatization and individual capitalization, managed by private entities. Additionally, there is a voluntary pillar, mainly composed of Voluntary Pension Savings (APV) and voluntary savings accounts. The APV is an additional savings mechanism with tax incentives, intended to encourage individual savings and complement future pension amounts. In contrast, the voluntary savings account allows additional deposits without specific tax incentives. Finally, the system includes a solidarity pillar represented by the Universal Guaranteed Pension, which provides a fixed amount to individuals aged 65 or older who meet certain requirements, regardless of whether they have contributed to the AFP system.

Despite more than 40 years of operation and the implementation of a significant reform in 2008, the system continues to face criticism. The reform sought to mitigate the most detrimental aspects of the system without dismantling the AFP framework (Balmaceda, 2022). Key changes included the creation of a fiscally funded solidarity pension system, the maintenance of commitments to pay-as-you-go pensions, and the replacement of the fixed minimum pension with guaranteed benefits for the poorest 60%. This reform aimed to expand coverage to previously excluded sectors, increase contribution density, and reduce gender inequality in social security (Robles, 2011).

Nevertheless, pension system coverage remains limited, especially for informal workers, and contribution density is low, particularly among women and low-income workers (CEPAL, 2012). These factors negatively affect final pension amounts and place significant pressure on the system's non-contributory components (Hyde & Borzutzky, 2015).

The individual capitalization system in Chile, as in other countries, has been criticized for efficiency and equity issues: coverage is insufficient, fees are high, pension fund administrators earn substantial profits in markets with limited competition, and women systematically receive lower benefits (Solimano, 2017; Borzutzky & Hyde, 2015; Mesa-Lago, 2014; Kritzer, Kay & Sinha, 2011, cited in Kay & Borzutzky, 2022).

Moreover, the economic cost that AFPs represent for affiliates has been questioned due to the fees applied to managed funds, which reduce accumulated capital and, consequently, final pension amounts. However, the average fee on assets, at 0.73%, places Chile very close to the OECD average of 0.76%. This indicates that, despite associated costs, the system continues to offer reasonable value for affiliates, especially compared to other countries (Observatorio Perspectivas, 2024).

Gender inequalities—such as lower wages, fewer years of contributions, and longer life expectancy among women—further reduce the value of their pensions (Vergara Domínguez, 2018; Dekkers et al., 2022; Palmer, 2017). “The gender gap is a common feature of contributory pension systems, which often translate women's lower participation in the labor market into reduced direct rights for them” (Arza, 2012). These challenges, together with the perception that the system does not effectively meet citizens' needs, contribute to its lack of trust and legitimacy.

In 2014, 9.7 million Chileans were affiliated with one of the six AFPs, but only 4.9 million were active contributors. The AFPs had granted pensions to 998,457 beneficiaries, primarily ordinary retirees, with an average monthly amount of approximately 400 USD (Arroyo, 2014, cited in Kay & Borzutzky, 2022).

It should be noted that this value corresponds to the average of pensioners by old age and does not include other contingencies, such as disability or survivorship pensions, which may result in different amounts due to shorter contribution periods.

Although affiliates who experience disability or death before reaching the legal retirement age accumulate lower balances in their individual accounts, the Disability and Survivorship Insurance (SIS) complements this capital. Thus, when the affiliate meets the established requirements, the insurance finances the difference necessary for the pension to reach the guaranteed amount under the system, preventing the lower accumulation of funds from directly reducing the pension.

The research gap lies in the limited exploration of how affiliates' knowledge and perception of the AFP system influence their satisfaction and trust, and how this may affect potential reforms or improvements to address structural inequalities and enhance perceptions of fairness and social justice. According to Institutional Theory, legitimacy is understood as the logical relationship between societal values, norms, and expectations and the activities and outcomes of an organization. Dowling and Pfeffer (1975, as cited in Díez Martín, 2010) consider organizational legitimacy as the alignment between social values and organizational behavior (Díez Martín, 2010).

Scott (1995, as cited in Díez Martín, 2010) states that "legitimacy consists of a state reflecting cultural alignment, normative support, or consonance with relevant rules and laws." The central principle of Institutional Theory is that organizations need to gain and maintain legitimacy to survive. In this regard, DiMaggio and Powell (1996, as cited in Díez Martín, 2010) argue that organizations comply with the rules and belief systems of their environment because such isomorphism helps them gain legitimacy.

This theory suggests that trust in institutions depends on citizens' perceptions of their legitimacy, transparency, and efficiency. If people perceive the pension system as unfair or inefficient, their trust will decrease. Moreover, trust is built based on the availability of information. A low level of knowledge can generate uncertainty and distrust.

"Defined-contribution pension systems, such as the Chilean system, transfer most of the risks associated with the pension system to the worker. Therefore, for these systems to function effectively, they require a deep understanding of financial and pension concepts by the population. The literature shows consensus that the level of financial and pension literacy is low" (Bosch et al., 2018, p. 3). Understanding these dynamics is crucial to strengthen the legitimacy of the system and promote public policies that genuinely address historical and socioeconomic inequalities.

3. MATERIALS AND METHODS

A quantitative observational methodology was employed, utilizing secondary data from the Social Protection Survey, the largest and oldest longitudinal panel survey in Chile, with approximately 16,000 respondents nationwide. The objective of this article is to assess, through descriptive statistics, the satisfaction of AFP retirees with the pension system and its outcomes.

3.1. Participants and Sampling

The present study aimed to explore the perceptions and knowledge of Chilean citizens regarding the AFP (Administradoras de Fondos de Pensiones) system. To achieve this objective, we utilized secondary data from the Social Protection Survey (Encuesta de Protección Social, EPS), a well-established longitudinal panel survey in Chile. The EPS is the largest and oldest survey of its kind in the country, providing a comprehensive dataset for examining various aspects of social protection and economic conditions.

The EPS sample consisted of approximately 16,000 respondents, representative of the Chilean population aged 18 and above. The survey employed a rigorous probability sampling method, ensuring that the sample was reflective of the national demographic distribution. The data collection took place over 16 weeks, from April to July 2016, encompassing the entire continental territory of Chile. Of the total 18,007 interviews conducted, 16,906 were with living individuals, while the remainder involved family members of deceased or incapacitated respondents. The sample was balanced in terms of gender, with 52.7% of respondents being female, and included a significant proportion (53.8%) of individuals younger than 45 years.

3.2 Data Acquisition and Description

The EPS survey is designed to gather extensive information across multiple domains relevant to social protection and economic analysis. The questionnaire comprises several modules, including general information, labor history, family income, assets and wealth, social protection, health, training, family and individual history, quality of life, financial knowledge, and opinions on the pension system. The survey has been conducted in various years, including 2002, 2004, 2006, 2009, 2012, 2015, and 2019, providing a rich longitudinal dataset for analysis.

For this study, we focused on specific modules and questions that pertained to the research objectives. The data used were extracted from the following modules and questions: Module A (A8, A9), Module B (B18), Module C (C18, C19), Module E (E2, E2.1, E12.b, E34, E38, E45, E65b), and Module Q (Q1, Q2, Q3, Q6, Q7, Q8). These questions were selected for their relevance in assessing respondents' knowledge, perceptions, and trust in the AFP system.

3.3 Data Analysis

The analysis of the quantitative data obtained will be conducted using the Statistical Package for the Social Sciences (SPSS). This software will enable the analysis of the variables under study, focusing primarily on descriptive analysis. The objective of this approach is to identify significant patterns and trends in the data that may provide valuable insights for answering the research questions and supporting the interpretation of results within the context of the pension system.

4. RESULTS

The study assessed the level of knowledge and perception of the AFP system among Chilean affiliates.

To achieve this objective, information regarding the affiliated population was initially analyzed, as presented in Table 1.

Pension System	Frequency	Percentage	Valid Percentage	Cumulative Percentage
<i>AFP*</i>	11.406	67,5	88,1	88,1
<i>IPS (former INP)**</i>	950	5,6	7,3	95,5
<i>CAPREDENA***</i>	42	0,2	0,3	95,8
<i>DIPRECA****</i>	40	0,2	0,3	96,1
<i>Other system</i>	132	0,8	1,0	97,1
<i>Not responding</i>	85	0,5	0,7	97,8
<i>Don't know</i>	286	1,7	2,2	100,0
<i>Total</i>	12.941	76,5	100,0	
<i>Lost from system</i>	3.965	23,5		
<i>Total</i>	16.906	100,0		

Table 1. Pension system to which the respondent is affiliated

Source: Own elaboration based on the 2015 Social Protection Survey

* AFP (Administradora de Fondos de Pensiones) – Pension Fund Administrator

** IPS (Instituto de Previsión Social) – Social Security Institute

***CAPREDENA (Caja de Previsión de la Defensa Nacional) – National Defense Social Security Fund

****DIPRECA (Dirección de Previsión de Carabineros de Chile) – Social Security Directorate of the Chilean Police (Carabineros)

88.1% of the respondents belong to the individual capitalization system. This is consistent with the mandatory rules of the AFP system for new workers and the gradual decrease of affiliates from the old pay-as-you-go system (IPS), which mostly manages the solidarity pillar today.

Next, considering the perceptions of the AFP, Table 2 presents the distribution of respondents' perceptions about the AFP:

Perception	Frequency	Percentage
Very positive	92	0.5
Positive	1,525	9.0
Neutral	5,875	34.8
Negative	5,490	32.5
Very negative	3,924	23.2
Total	16,906	100.0

Table 2. Perception of the AFP. How do you perceive the AFPs (Pension Fund Administrators)?

Source: Own elaboration based on the 2015 Social Protection Survey

According to the data presented in Table 2, only 9.5% of respondents hold a positive or very positive view of the AFPs, which stands in stark contrast to the 55.7% who report a negative or very negative perception. This trend is consistent with the findings disseminated by the Subsecretaría de Previsión Social in 2016, where 68% of survey respondents expressed a negative or very negative opinion of the Chilean pension system. Furthermore, more than 50% of respondents indicated willingness to switch to a state-run AFP, and 58% reported having a negative or very negative image of the AFPs (Subsecretaría de Previsión Social, 2016). According to the study *"Percepción de la ciudadanía respecto del sistema de pensiones chileno – Parte II"*, published in September 2024, "The current pension system has a legitimacy deficit, which translates into distrust and the perception of being an unjust system. This is based both on the system's origins during the dictatorship and on the outcomes in terms of pension adequacy and the profits of the AFPs" (Subsecretaría de Previsión Social, 2024).

Once the levels of affiliation and perception have been understood, the results related to the projected use of the service are analyzed. As shown in Table 3, 56.3% of respondents do not consider the AFPs to be a viable source for financing their retirement. In this regard, the negative perceptions identified in Table 2 may be linked to the belief that AFPs do not represent a reliable option for securing one's financial future, as well as to a possible lack of knowledge or education about the system.

Projection of Service Usage	Frequency	Percentage
Believe they will finance their pension with an AFP	7,385	43.7
Do not believe they will finance their pension with an AFP	9,520	56.3
No response	1	0.0
Total	16,906	100.0

Table 3. Projection of AFP Service Usage

Source: Own elaboration based on the 2015 Social Protection Survey

Regarding the level of satisfaction with the services provided by the AFPs, Table N°4 shows the following:

Satisfaction Level	Frequency	Percentage
Very Satisfied	199	1.8
Satisfied	2,999	27.9
Dissatisfied	2,004	18.6
Very dissatisfied	1,501	13.9
I have never had contact with the AFP	3,491	32.4
No response	181	1.7
Doesn't know	387	3.6
Total	10,762	100.0

Table 4. Satisfaction Level with the Service* Provided by the Institution

Source: Own elaboration based on the 2015 Social Protection Survey

* Services provided by the AFPs: Fund Management, Pension Payments, Social Security Benefits,

Advisory and Information Services, Online Procedures, Voluntary Pension Savings (APV) and Account 2, Other Procedures.

Specifically, in relation to satisfaction level, table N°4 reveals that 29.7% of participants expressed being very satisfied or satisfied with the service, indicating a positive, though not majority, perception of AFP services. However, there is also a polarization in user perceptions, with a significant percentage (32.5%) being dissatisfied or very dissatisfied.

Notably, 32.4% of respondents indicated never having had contact with an AFP institution, suggesting a significant disconnect between affiliates and the pension fund administrators, potentially due to a lack of information or system inaccessibility for certain groups.

Overall, it can be observed that perceptions of the AFPs fall into three groups: one-third satisfied, one-third dissatisfied, and another third who never had contact, don't know, or didn't respond, which accounts for 37.7% of the total.

Now, to continue analyzing the knowledge, perception, and satisfaction with the system, Table 5 refers to the voluntary pillar of the system, specifically the Voluntary Pension Savings (APV). In this context, only 9.7% of the total respondents have made this additional savings, which could indicate a low saving capacity, due to low wages, or a lack of knowledge about how the AFP system works. It also suggests a low adoption rate of this mechanism compared to the total population.

This finding is relevant as it highlights a possible disconnect between affiliates and the additional services offered by the AFPs, which could be related to distrust in the system or the perception that these services are inaccessible or not beneficial for most workers.

Projection of Service Usage	Frequency	Percentage
Believe they will finance their pension with an AFP	523	9.7
Do not believe they will finance their pension with an AFP	4,858	90.3
Total	5,381	100.0

Table 5. Use of Voluntary Pension Savings Service

Source: Own elaboration based on the 2015 Social Protection Survey

To gain insights into motivations for participating in APV, respondents were asked about their reasons for saving:

Reason for Using	Frequency	Percentage
Want a higher pension	248	47.4
Seek to reduce taxes	23	4.4
Want early retirement	9	1.7
It is a good form of savings or investment	132	25.2
Allows withdrawing money	94	18.0
No response	10	1.9
Doesn't know	7	1.3
Total	523	100.0

Table 6. Reasons for Using Voluntary Pension Savings (APV)

Source: Own elaboration based on the 2015 Social Protection Survey

Although only 3.1% of respondents opted for APV, a significant portion did so to secure a higher future pension, indicating a concern for ensuring a more adequate retirement.

Then, respondents' perceptions of retirement age were explored as table 7 shows.

Level of Agreement	Frecuency	Percentage
In agreement	2,012	11.9
Neither Agree nor Disagree	1,193	7.1
Disagree	13,007	76.9
No Response	192	1.1
Doesn't Know	502	3.0
Total	16,906	100.0

Table 7. Level of agreement with increasing the retirement age for women

Source: Own elaboration based on the 2015 Social Protection Survey

A striking 76.9% expressed disagreement with the proposal to increase the retirement age for women. This perception contrasts with the reality of higher life expectancy, particularly for women (83.4 years). This widespread discontent suggests that many citizens do not view extending the retirement age as a suitable solution to the structural inequalities in the system.

On the other hand, Table 8 presents the level of agreement of the participants regarding the retirement age for men.

Level of Agreement	Frecuency	Percentage
In agreement	1,762	10.4
Neither Agree nor Disagree	1,220	7.2
Disagree	13,253	78.4
No Response	187	1.1
Doesn't Know	484	2.9
Total	16,906	100.0

Table 8. Level of agreement with increasing the retirement age for men.

Source: Own elaboration based on the 2015 Social Protection Survey

The results show that 78.4% of respondents disagree with the minimum retirement age for men, set at 65 years. However, it is important to note that the question does not clarify whether the disagreement stems from the need to reduce or increase this age, leaving room for discussion about the flexibility of retirement ages within the Chilean pension system.

Finally, Table No. 9 reveals that 51% of participants consider that the retirement age should be the same for both men and women. This finding may indicate a prevailing trend toward gender equality in retirement policy, suggesting that a significant segment of the population advocates for equitable treatment in retirement conditions, irrespective of gender.

Level of Agreement	Frecuency	Percentage
In agreement	8,621	51.0
Neither Agree nor Disagree	1,734	10.3
Disagree	5,905	34.9
No Response	171	1.0
Doesn't Know	475	2.8
Total	16,906	100.0

Table 9. Level of Agreement on Equal Retirement Age Between Men and Women

Source: Own elaboration based on the 2015 Social Protection Survey

5. DISCUSSION AND CONCLUSIONS

The examination of pension systems, particularly within the context of Chile's individual capitalization model, offers a rich tapestry of insights into the interplay between economic structures, social trust, and individual welfare. Pension systems, by their very design, aim to provide financial security to individuals who are no longer able to generate income due to advanced age, disability, or death. This study explores the nuances of these systems,

particularly focusing on the Chilean model, which has been a subject of extensive debate and reform efforts since its inception in 1981.

The Chilean pension system, grounded in neoliberal economic principles, mandates a 10% contribution from workers' salaries to individual accounts managed by private pension fund administrators (AFPs). This model was intended to maximize investment returns over time, ostensibly providing a robust financial safety net for retirees (Vargas, 2018). However, the findings of this study reveal significant dissatisfaction among the Chilean populace, which could be explained by perceptions of inadequate pension returns and high administrative fees. This dissatisfaction is compounded by broader socio-economic factors, such as economic inequality and gender disparities, which exacerbate the system's perceived inefficacy (Comisión Asesora Presidencial sobre el Sistema de Pensiones, 2015; PNUD, 2024).

The study confirms the profound lack of knowledge among Chilean citizens regarding the AFP system, which may explain part of the skepticism about its ability to provide adequate pensions in the future, as previously reported (Espacio Pública - PNUD, 2023). This perception is not unfounded, as historical analyses and recent data suggest that a substantial portion of the population lacks sufficient savings to sustain themselves in retirement (Arias & Rojas, 2020). This shortfall is attributed to factors such as informal employment and low female workforce participation, which limit the accumulation of pension savings (Comisión Asesora Presidencial sobre el Sistema de Pensiones, 2015b).

In explaining these outcomes, it is essential to consider the theoretical underpinnings of the Chilean pension system and its alignment with neoliberal economic policies (Hyde & Borzutzky, 2015). The system's focus on individual responsibility and market-driven investment returns may inherently disadvantage those with less stable employment histories or lower earning potential (Solimano & Zapata-Román, 2024).

Moreover, the gender disparities in pension outcomes can be traced back to systemic issues such as wage inequality and career interruptions due to caregiving responsibilities, which disproportionately affect women (Crespo Amigo, 2020; Morales Ramírez, 2021). These structural inequities highlight the limitations of a purely market-based approach to social security.

Comparative analysis with other pension systems provides further insight into the Chilean model's challenges. For instance, countries with mixed or pay-as-you-go systems often demonstrate greater pension equity and public trust, as these models incorporate elements of redistribution and collective risk-sharing (Bovenberg, 2007; Brainard & Brown, 2018; Schokkaert, 2025). Studies from nations such as Sweden and Canada, which have successfully integrated individual and collective pension components (Liukko et al., 2023; Palme et al., 2007), suggest that a more balanced approach may mitigate some of the Chilean system's shortcomings. These comparisons underscore the need for a nuanced understanding of how different pension structures can influence social outcomes and public perception.

Conversely, the Chilean system's shortcomings are not universally acknowledged, as some studies have praised its fiscal sustainability and potential for high returns (Buchholz et al., 2008; World Bank Group, 2021). However, these perspectives often overlook the socio-economic context and the system's impact on vulnerable populations.

The novelty of this study lies in its emphasis on the lived experiences and perceptions of Chilean citizens, offering a critical lens through which to assess the system's efficacy. By foregrounding these voices, the study contributes to a growing body of literature that challenges the adequacy of neoliberal pension models in addressing social equity.

While this study provides valuable insights into the Chilean pension system, it is not without limitations. The scope of the research may be constrained by the availability of comprehensive demographic data, and the analysis primarily focuses on qualitative perceptions rather than

quantitative outcomes. Additionally, the study's findings may not be generalizable to other national contexts with different socio-economic dynamics and pension structures. Nonetheless, the research offers a compelling case for re-evaluating pension systems through the lens of social justice and equity, particularly in light of evolving demographic and economic challenges.

According to Institutional Theory, the perception of equity, transparency, and efficacy is fundamental to maintaining public trust and, therefore, the legitimacy of the system. The central principle of Institutional Theory has been that organizations need to gain and maintain their legitimacy in order to survive.

The results of the research show that the perception and knowledge of affiliates about the AFP system directly influence their satisfaction and trust. The lack of information and the credibility of the system emerge as critical factors that affect its legitimacy. If the AFP system concentrates the risk on the individual contributor, understanding the system, that is, grasping basic financial and pension concepts, becomes essential. In this regard, Bosch and others (2018) highlight that defined-contribution pension systems, such as the Chilean one, transfer much of the risk to workers, making a deep understanding of financial and pension concepts essential. Contrary to this, the results show that the perception and knowledge of affiliates regarding the AFP system directly influence their satisfaction and trust, revealing critical gaps in information and credibility that affect the legitimacy of the system. This study makes a unique contribution by shedding light on the relationship between affiliates' knowledge and their perception of the system's fairness and effectiveness, providing a deeper understanding of the causes of social discontent.

Based on these findings, practical strategies can be designed for policymakers, with an emphasis on:

- Transparent communication and pension education to improve understanding of the system.
- Structural reforms that address gender inequalities and labor informality, promoting greater equity and sustainability. In line with the above, the latest reform, which concluded on January 28, 2025, primarily includes actions such as the gradual increase of individual contributions by 7% more, to be borne by the employer, and the creation of a Social Insurance system that will provide benefits to women starting at age 65. In summary, the reform aims to address the historical criticisms related to the low pension amounts provided, indirectly improving public perception and increasing trust. However, there are no concrete actions recorded to strengthen knowledge or education about the pension system.

Finally, future research should explore specific interventions to bridge knowledge gaps, as well as conduct longitudinal studies to analyze the long-term impact of the reforms on public perception and system effectiveness.

8. REFERENCES

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