

Nicaragua: Contentious Debate Over Social Security Reform

Nicaragua is in the midst of a contentious debate that could become a serious social struggle over the reform of the nation's Social Security system. President Daniel Ortega's Sandinista government has proposed to increase the retirement age, the number of years one has to work, and the number of required contributions. Under his plan, the retirement age will increase from 60 to 65 years, the minimum number of years worked will increase from 15 to 30, and the number of weekly contributions required in order for a worker to retire will increase from 750 to 1,500.

The proposed social security reform will exacerbate the contradictions of the Sandinista government that calls itself the party of the people, especially the working people and the poor, while it attempts to implement changes that will aggravate and antagonize both public and private sector workers. The Sandinista's populist rhetoric here comes into open conflict with the neoliberal character of the reform intended to force workers to pay more and to work longer in order to be able to retire one day. Many complain that should the reform pass, they would have little time left to enjoy their retirement. Average life expectancy in Nicaragua is 72 years, though most men live to 70 while women live to 76.

The Nicaraguan Institute of Social Security (INSS) now covers 600,000 workers who would be affected by these changes, as well as other workers who will be affected in the future. Under the current system, workers pay 2.25% of their salary and the employer pays 6%. After making contributions for two months, workers have the right to medical care and surgical operations, and they are entitled to time off if they have some problem working because of illness, for which they receive 60% of their salary for up to a year. Most are now

able to retire at 60 years of age, though teachers may retire after working to age 55.

The International Monetary Fund and the World Bank have been pressuring the Nicaraguan government to reform the INSS pension system for several years. Speaking back in 2010 when the matter first became public knowledge, Manuel Israel Ruiz Arias, an authority on pension systems, stated,

“The IMF is demanding reform because it has calculated that without it, the State will have to assume huge costs within 10 to 15 years that will destabilize the economy. And it’s right to be worried. It’s insisting on reform but not privatization. And it’s not saying what sort of reform either. It and the World Bank are only demanding ‘social security reform’ to defend INSS’ financial capacity. But neither of them is saying what model to implement or what needs reforming.”

While the IMF argues that its concern is solvency of the system, under this reform the system will be made solvent not by raising contributions from the corporations or by increasing the revenue base by expanding coverage to other groups, but rather by forcing workers to work longer and retire later.

Today, the Sandinista government is complying with the IMF and the World Bank, but according to a recent poll 68 percent of all Nicaraguans disagree with the proposed changes. The poll also indicated that many of those who reject the proposed changes consider themselves to be members or supporters of the Sandinista party. One older worker who works in the private sector for a computer company said he was completely opposed to the reform. And he is not alone.

Some of the nation’s union federations, the National Council of Workers (CNT) and the Sandinista Confederation of Workers (CST), reject the proposed reform and say that they

have collected more than 10,000 petition signatures. They are also demanding that the social security pension system be extended to workers who are not now covered.

Arsenio Vivas, a leader of the Nicaraguan Teachers Union, argues that the proposed law would violate an existing law covering career teachers which gives them the right to retire after age 55. Vivas is a member of the Teachers Union Group (Unidad Sindical Magisterial) that filed a complaint with the Permanent Human Rights commission (CPDH) demanding that the existing law covering teachers be respected. Vivas explained that elementary school teachers make 4,500 córdobas (US\$187.50) per month, while secondary teachers make 4,800 córdobas (US\$200). Teachers reject the idea that they should have to work ten years more before they can retire.

Other unions have come up with their own Social Security reform proposals. The Nicaraguan Union Movement (MSN), the Sandinista Workers Center (CST-JBE), and the General Confederation of Independent Workers have each made their own proposals, but all insist that the 60 year retirement age and the 750 weekly payments be maintained.

Most Nicaraguan workers, however, are not covered by the Social Security pension system. Nicaragua has two million workers, but 1.4 million of them, about 70 percent, work in the informal sector where workers have no social security coverage of any sort. These informal workers make about US\$1.88 per day.

Michael Kelly is an American writer living in Nicaragua. This is the third of an occasional series of Nicaragua Notes.