

When Rosanna Costa, Chile's Central Bank President, Opposed the Minimum Wage

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Amid the election season, Central Bank president Rosanna Costa released a study that directly links minimum-wage increases to unemployment, recasting her long-held orthodox stance against the wage floor, unions, and sector-wide bargaining into a polished econometric case. She has championed these ideas for decades at Libertad y Desarrollo; in 2008 she argued the 'problem with jobs is minimum wage policy' and that 'what is needed is to lower real wages'.



Hours before the first presidential debate, Chile's Central Bank released its Monetary Policy Report (IPoM). At the urging of its president, Rosanna Costa, the document added a labor-market analysis that directly links rising unemployment to the current administration's minimum-wage increases and the gradual rollout of the 40-hour workweek. The IPoM concludes these measures have had a negative impact on job creation.

The statutory minimum wage rose sharply under the current government, from 350,000 pesos in 2021 to 510,000 pesos today — an increase of 45.7% — achieved under Jeannette Jara, now the ruling coalition's presidential candidate, when she served as labor minister. Both the wage hike and the shortened workweek are centerpieces of her campaign.

To many observers, publishing the report mid-campaign looks like a precisely aimed strike at the government candidate. The Central Bank's institutional standing, the timing of the release, and the report's technocratic framing are hard for the governing coalition to challenge — especially given its longstanding acceptance of the monetarist mandate assigned to the Bank at the end of the dictatorship. Nor has the Executive questioned the high interest-rate policy advanced in recent years by Costa within the Bank's board.

Costa, a free-market orthodox economist, spent decades at the Libertad y Desarrollo (LyD) think tank, served as head of the Budget Office during Sebastián Piñera's first administration, and — under cross-party appointment practices in Michelle Bachelet's second government — was promoted to the Central Bank board, the body that sets monetary policy.

An IPoM designed to draw a straight line between July's 8.7% unemployment rate (INE) and the government's wage and work-hour policies — right in the thick of an election — fits Costa's hallmark approach: clothing deeply ultraliberal convictions in technical language.

CARLOS CÁCERES AND CENTRAL BANK AUTONOMY

After President Gabriel Boric said he had “discrepancies” with the report, Rosanna Costa waited a few days before replying that the head of state “has always supported” the institution's independence.

Indeed, that autonomy was one of three priorities Augusto Pinochet set for the Interior Minister he appointed after losing the October 1988 plebiscite. Securing opposition validation of the 1980 Constitution, and granting independence to TVN and the Central Bank, were tasks successfully carried out by Carlos Cáceres, who negotiated the Bank's independence from the central government by offering

half of the board seats to his opponent from the former Concertación, economist Alejandro Foxley (DC).



The Origins of Libertad y Desarrollo: Pinochet's Ministers and the Battle of Ideas

On March 11, 1990 — the day Carlos Cáceres, in formal tails, accompanied Pinochet to hand over the presidency before Congress in Valparaíso to Patricio Aylwin — he later appeared at San Crescente 551 in Las Condes, the new headquarters of the Libertad y Desarrollo (LyD) Institute, a think tank founded with other former ministers of the dictator, including Hernán Büchi. That day, having completed his task as the last Interior Minister of the regime, he became LyD's board chairman with a mission to —wage the battle of ideas— in defense and refinement of Pinochet's legacy — a mantra repeated at every institutional anniversary.

The institute's first book captured its orthodoxy: dismantling the public sector and handing service management to private actors. The pamphlet, written by economist Cristián Larroulet and titled —Private Solutions to Public Problems— (1991), defined those —solutions— as a set of microeconomic policies including privatization of companies and activities, the introduction of market incentives, and an environment that promotes private participation and investment in services.

ROSANNA COSTA'S ARRIVAL AT LYD

Just a year later, in December 1992, economist Rosanna Costa—trained at the Pontifical Catholic University and a Central Bank staffer during the dictatorship—joined LyD. She entered the Economic Program, led by Pablo Ihnen, where economist Tomás Flores also worked.

LyD's 1992 Annual Report described the Economic Program as one to which it gave special attention: while the social market economy was spreading across the world, many sectors still resisted it or accepted it only superficially, without assuming the responsibilities and efforts it entails. From that perspective, the report argued, it was essential for LyD to remain on the front line defending the public policies that underpin a free economy.

Over time, Costa became one of LyD's key organic intellectuals in promoting the ideas of a "free society"—effectively, the most radical version of neoliberalism. In constant contact with conservative institutions such as the Atlas Foundation, she worked to deepen the Pinochet-era economic model across the public-policy spectrum. Her skill at wrapping proposals favoring the wealthiest in technical data and numerical models ultimately made her head of the Economic Program and a marquee LyD columnist.

Libertad y Desarrollo: The Media's Favorite Oracle

From the outset, LyD economists enjoyed extensive media exposure. Framed as experts on virtually every public-policy debate, they offered prescriptions and critiques from an ordoliberal perspective that outlets rarely disclosed to audiences. In 2007, for example, they logged 3,587 media appearances □ more than nine per day on average. Two years later, the 2009 Annual Report highlighted LyD on more than 120 front pages, sustaining a similar pace of over nine mentions daily, as it issued pro-business recommendations on health, the national budget, corruption, and crime.

MINIMUM WAGE TIED TO PRODUCTIVITY

For years, Rosanna Costa published weekly columns in *La Tercera*, deploying a rhetoric critical of wage increases and broader public-service coverage. She frequently cloaked employer-leaning proposals in highly technical language that can be opaque to general audiences yet persuasive to those predisposed to agree, tempering the radical thrust of ideas that ultimately defend big business, curtail labor rights, and shrink workers' share of the wealth they help create.

Her argument, repeated over decades, reduces most state action to whether it boosts growth □ and, in her view, growth requires expanding profit margins for investors to make the country □attractive to invest in.□ By that logic, wage hikes, environmental safeguards, or community participation in resource management are cast as obstacles to investment.

In the current debate, she defended the Central Bank study, first by asserting its □technical validity□ and calling it a □robust analysis.□ As she has long argued, she maintained that the minimum wage can rise, but policymakers must watch labor-market conditions closely and ensure increases are accompanied by productivity gains.

Conditioning wage improvements on prior productivity growth is a longstanding theme in Costa's narrative. In 2008, in a chapter of an LyD-edited volume honoring the late dictatorship-era planning minister Miguel Kast, she urged refocusing the debate on the challenges of boosting productivity and entrepreneurship before discussing universal rights (1).

In her economic worldview, wages should be determined by productivity: "A successful labor framework is measured by the relationship between wages and productivity. If that link is weak, the framework is unsustainable for economic, social, and political reasons," she argued (1).

We reviewed several of Costa's columns on labor issues between 2000 and 2008, prior to her joining Piñera's first government. At the time, she opposed creating unemployment insurance, warning it would incentivize people to "abuse the system" to capture benefits; she also proposed exempting workers under 24 from pension contributions, advocated banning public-sector strikes, and asserted that the problem with employment is "minimum wage policy."

She even devised a "ranking of labor rigidities."

A quick scan of her writings shows that a committed LyD partisan has guided monetary policy for the past four years.

UNEMPLOYMENT INSURANCE AS FORCED SAVINGS

In 2000, as Chile debated implementing unemployment insurance, the LyD economist argued in an April column that creating such a basic social safety mechanism would add a nontrivial cost to generating jobs (2).

She also described the proposed insurance as "forced savings," contending that much of the additional saving would come from people with limited capacity to

save, for whom the obligation functions like a tax because they value present consumption more.

The column gave her space to argue against severance pay for years of service as well, which she sought to abolish, claiming it is more important to minimize the cost of hiring workers.

In her rhetoric, which she says rests on “all the evidence,” any public policy aimed at improving job quality is counterproductive: labor rigidities purportedly intended to benefit workers end up making labor more expensive and reducing job creation, especially for young people and women.

She then offered a “labor rigidities ranking,” placing unemployment insurance in a zone of “abuse risk,” citing European experience as a “typical” case where benefits allegedly exceed perceived costs and create incentives for people to game the system (2).

SEVERANCE PAY AND YOUTH WITHOUT CONTRIBUTIONS

Ending severance pay for years of service has been one of Costa’s central aims. Chile established the benefit in 1966 for workers dismissed from their jobs; the 1980 Labor Plan under José Piñera capped the benefit, and a 1991 reform raised the cap to 11 months.

In 2001, Costa and labor-law attorney and Sofofa adviser Huberto Berg published “Analysis and Proposals for Chile’s Labor Market,” presented as a diagnosis of the private labor market and focused on dismissal costs, collective bargaining, and workforce training.

In the introduction, the authors argued that, without labor flexibility, the economy would be more exposed to cyclical shocks (3).

To reduce youth unemployment, Berg and Costa recommended decoupling dismissal costs from tenure. They even claimed to “represent” unemployed workers, arguing that abolishing the benefit would help them.

The bottom line was to shift dismissal costs from employers to workers. They acknowledged workers would lose a significant income buffer when they lose their jobs, but contended these consequences could be cushioned if costs were transferred to workers through lower wages — a mechanism that minimum-wage rules prevent.

The confusing language reflects a familiar rhetorical maneuver Costa employs to justify shifting costs onto workers themselves.

To promote youth employment, they also proposed allowing people under 24 to opt out of pension contributions, postponing the legal retirement age, or choosing higher contribution rates later in their careers. This, they argued, would lower hiring costs for firms without reducing take-home pay.

Another radical idea was to allow employers to temporarily suspend part or all contracted hours, while keeping pension contributions, for up to six months; during that period the worker would receive proportionally reduced pay and could take on other jobs without terminating the original contract (3).

FREEZING WAGES AND LABOR RIGHTS

Among her job-creation proposals, Costa urged deregulating workers’ “inalienable rights” under Chile’s Labor Code. Under the banner of “negotiated labor adaptability,” the current Central Bank president advocated wage freezes, scrapping statutory work hours, and treating pay as an open instrument negotiable by each employer with each worker.

Framed as a response to technological change and globalization, Costa's 2008 idea of "negotiated labor adaptability" envisioned individual workers bargaining directly with employers "without unions" for a "minimum standard" that would become binding over and above the Labor Code (1).

She added that it would be voluntary for workers to accept changes within the options the law permits. If an agreement is reached, it becomes binding, and breaches would be contractual violations subject to reporting and enforcement (1).

Proposals included "negotiated labor adaptability" that lets companies adjust schedules and hours to production cycles, rely on teams for defined periods, and redistribute work time across the year. In practice, the employer could set hours and days throughout the year at will, without legal limits or overtime pay.

The initiative goes beyond scheduling to include "wage adjustments." It envisioned "agreements" allowing employers to reduce wages, and thus hours, for six months or more (...). During these periods, contracts could be fully or partially frozen for a set time, up to a legal maximum.

She further proposed using "adaptability and variable pay" as open tools for employers, including the power to freeze bonuses or profit-sharing when companies report losses.

A third measure was "temporary closure" of firms: workers would stop receiving wages and accept a freeze of labor rights for up to six months (potentially extendable) provided pension contributions continue and existing contracts resume afterward. During the freeze, workers would be free to take on other jobs (1).

AGAINST THE MINIMUM WAGE

Costa's opposition to raising the minimum wage spans decades. In a January 2008 *LyD* magazine interview on employment, she rejected banning strikebreaker replacements, questioned commissions, and opposed sector-wide collective bargaining.

On strike replacements, she argued they play an important role: they push both sides to look at the market. Workers must gauge whether their demands exceed alternative wages, lowering the likelihood of success, while employers must consider the cost of finding workers whose productivity-to-wage ratio competes with the strikers' demands. In her view, this aligns both sides with market realities.

In the same interview, she opposed a statutory minimum wage, proposing that pay be negotiated between each employer and worker. She claimed that what is needed is to lower real wages and avoid unnecessary job losses.

Accordingly, she said the employment problem lies in 'minimum wage policy.'

Instead of a legal wage floor, she advocated 'participatory' pay schemes, which she described obliquely as deepening workers' commitment and ties to the company.

Costa also promoted 'labor adaptability agreements' to adjust shifts, pay, and hours to company demand, with the overarching goal of aligning wages with productivity.

Nor is she fond of public-sector unions: in 2016 she argued strikes by government employees should be prohibited. Citing 'State modernization,' she described public service as 'monopolistic,' which she said is 'a good reason to ban strikes in the public sector' (4).

A PARTISAN AT THE CENTRAL BANK

For decades Costa has articulated her ideas in opinion columns amplified by major media. Over time she built a reputation as a hard-right partisan in economic debates. As this brief review shows, she opposes the minimum wage, universal rights, and unionization, and she strongly favors banning public-employee strikes.

For years, LyD's organic intellectual wrapped pro-elite biases in technical clothing, producing econometric devices such as a "labor rigidities ranking." Until recently, her rhetoric largely circulated among UDI parliamentary advisers, as an op-ed columnist, or as a moderator at conservative think-tank forums. Behind the technical veneer, most recognized a far-right ideology defensive of economic inequality.

Now she controls monetary policy.

Costa's rise "first to the board and later to the presidency of the Central Bank" brought new responsibilities to her "technical" career. True to the training she received under Carlos Cáceres, she used the position and perfect timing to fire a long-calibrated salvo against the minimum-wage hike and the 40-hour workweek. In the heart of the campaign, LyD's most prominent figure, placed at the most strategic perch, launched a missile at one of the government's signature achievements and a pillar of Jeannette Jara's bid.

The push also seeks a longstanding LyD objective: ending the minimum wage and indexing pay to productivity defined exclusively by employers. She has begun to formalize econometrics that draw a direct line from minimum-wage increases to unemployment while omitting other production factors. It falls to sharp-minded economists to untangle this bid to set new norms and further convert the Central Bank "and its parameters" into a finely tuned promoter of the neoliberal order. The way the model was rolled out, with broad media backing and little public challenge from critical economists, let proponents test-drive the claim that any wage increase unambiguously causes job losses.

Under the guise of technical arguments, an LyD economist who now leads the Central Bank is gaining ground in the "battle of ideas," installing a direct, causal link between pay increases and falling employment. Any future attempt to improve Chile's distribution of the wealth created will run up against these normative yardsticks. The ideological work baked into the economic metric is evident. The political effects in the middle of an election are even clearer.

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El Ciudadano

NOTES:

(1) Rosanna Costa: A proposal to incentivize employment. In Various authors. Poverty: ideas to overcome it. A tribute to Miguel Kast R. Libertad y Desarrollo " Fundación Miguel Kast. Fundación Enrique Costabal. Libertad y Desarrollo, 2008.

(2) Rosanna Costa: Unemployment insurance: A new tax on labor. Libertad y Desarrollo Magazine No. 96, April 2000.

(3) Huberto Berg; Rosanna Costa: Analysis and proposals for the labor market in Chile. January 2001.

(4) Rosanna Costa: Employment is the best instrument of social protection. Libertad y Desarrollo Magazine No. 182, January 2008.

(5) Roxanna Costa: Lessons from the pay adjustment and State modernization. La Tercera, November 27, 2016.

Fuente: [El Ciudadano](#)