

One crisis, two country visions



Costa Rican society has been witnessing the confrontation between two opposing ways of perceiving and projecting the country. While some sectors advocate a market model, others expect the Welfare State to deal with matters such as the social, economic and cultural rights of the population. The crisis and the possible ways out of it constitute the new arena in which these two visions collide. While the Government proposes a package of measures which seems diffident and overdue, civil society stands behind stronger social and productive intervention.

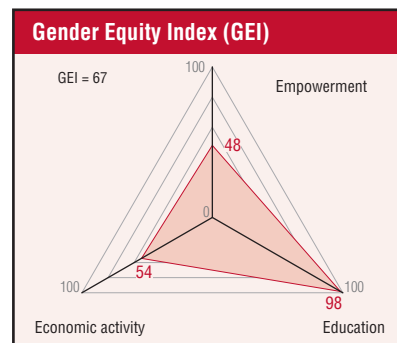
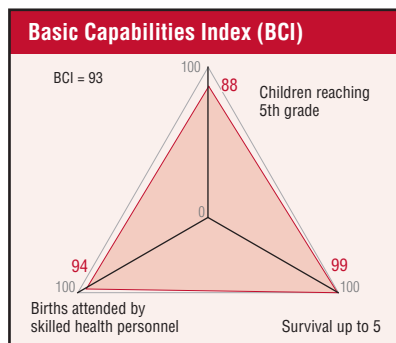
Programa de Participación Ciudadana
CEP-Alforja¹
Mario Céspedes and Carmen Chacón

The impact of the world crisis began to make itself felt in Costa Rica as from the second half of 2008. Some of the relevant data includes the decrease (year-to-year) of the Monthly Index of Economic Activity (MIEA) given as -1.0% in October 2008, -2.5% in November, -3.7% in December and -4.5% in January 2009. According to some opinions, “a sector-by-sector analysis based on the MIEA itself would show that the agricultural, manufacturing industry, commercial and hotel sectors are already in a recession, since the MIEA rate for December 2008 is lower than the rate for December 2007”.²

In July 2008 the *Caja Costarricense del Seguro Social*, CCSS (the Costa Rican social security bank), reported 1,376,667 insured workers; six months later it reported 1,385,350, which represents an increase of only 0.1% of the monthly average. There were in all 8,683 new workers. This means that the reduction of productive growth had already affected the generation of sources of employment during the second half of 2008.³

There are two specific examples related to migrants and women which illustrate this last point. CCSS’s report specifies that there were just under 90,000 insured construction workers, but that in January 2009 barely 74,000 were employed;⁴ that is, a loss of 16,000 jobs in six months. This fact is particularly significant as it involves the most affected sector of the population: migrants; above all, Nicaraguans.

A study carried out by the Ministry of Labour and Social Security concludes, in its section on migrants, that two years ago 65% of some 150,000 construction workers were Nicaraguan.⁵ It should be noted that figures reported by the CCSS are far lower than the real numbers, since most of the migrant popula-



tion hired in construction do not contribute to the CCSS, which puts them in an extremely vulnerable position and deprives them of multiple benefits.

Gender and the crisis

The consequences of the impact on women lead to an increase in unemployment and a widening pay gap between men and women. An ILO report published on 8 May 2009 states with regard to the first outcome that nearly half a million people – most of them women – will lose their jobs in Central America during 2009. This means that the unemployment rate for women will rise 3.5 percentage points to 14%.

Women’s average hourly wages – as compared to men’s – have fallen from 99.1% in 1999 to 83.9% in 2007. The pay gap is even wider in agriculture and fishing – in which they devote 13 hours more to non-remunerated labour – followed by professional activities and unqualified workers, with a difference of 10 hours. Although the time women actually devote to remunerated work is comparable to the time men devote to it, and despite their increasing participation in the labour market, the non-remunerated dimension of the work which is socially necessary in order to reproduce and care for not only the labour force but also the old and the sick, still falls to women to a disproportionate degree. Women devote an additional working day plus one further hour to dealing with these social demands.⁶

The Government’s response

In January 2009 President Oscar Arias launched the so-called *Plan Escudo* (“Shield Plan”) in response to the crisis – a response which is overdue and insufficient. The project, which aims to support families, workers, enterprises and the financial sector, con-

sists in the implementation of new measures – such as the Law for the Protection of Employment in Times of Crisis – and in the continuation of others which are already in place. Amongst these are a 15% increase in the CCSS’s non-contributive pensions, a food programme for more vulnerable children on week-ends, the *Avancemos* (“Moving Forward”) Programme,⁷ a housing subsidy and the write-off of overdue debts for 2,100 underprivileged families.

Some of these proposals reinforce strategies which focus on dealing with poverty, thus consolidating the welfare system and running the risk of becoming pork-barrel handouts during the electoral campaign which has already begun. The Plan’s omissions regarding specific measures to cover the needs of women are particularly serious. In fact, there is no mention of any steps to eliminate gender discrimination in the labour market and the exploitation of women in the area of reproductive and care labour, or to improve the quality of their jobs.⁸

The draft Law for the Protection of Employment in Times of Crisis, which will require enterprises to undertake to reduce the working day without reducing wages or firing personnel, deserves a special mention.

Other measures involve the promotion of micro, small and medium enterprises and capital increases for state banks and investments in public infrastructure, particularly education and the national road network, for which loans are being negotiated with the Inter-American Development Bank and other international financial organizations.

7 A government programme for economic transfers on condition that families keep their children within the educational system.

8 Msc. María Flores-Estrada. Technical Coordinator of the Economic Programme for Women. “Plan Escudo: why it is not enough for women”, 2009.

1 This article is derived from Dialogue Series: Global Crisis and its Impacts on Costa Rica, organized by the Alforja Studies and Publications Centre and the Citizen Control Network in March 2009.

2 Helio Fallas. *Crisis Económica Mundial y la economía política en CR* (“World Economic Crisis and Economic Policy in Costa Rica”), 23 January 2009.

3 *La Nación*, 5 March 2009.

4 *Ibidem*.

5 *El Centroamericano*, 9 March 2009.

6 *Ibidem*.

According to Dr. Luis Paulino Vargas,⁹ foreign debt contracted in order to confront the crisis in compliance with the Plan, will amount to USD 1.4 billion, merely to cover expenditure on public works. “This implies an increase in the foreign debt of approximately 25% in one go, which is no small thing. At the very least, this demands meticulous planning for the use of such resources”.¹⁰ A further problem is the contrast between the urgency with which these resources are needed and the complexity and slowness of the loan negotiation process, parliamentary approval and the concession of public works contracts.

Social, political and entrepreneurial sectors – possibly dissatisfied with how the initiative was presented by the Government – state that so far the results of the *Plan Escudo* do not fulfil expectations. President Arias did not instigate national dialogue processes in order to construct a wide social consensus. Furthermore, the initiative was launched during a pre-electoral year, which makes the execution of measures more complex, distorts parliamentary debate and deepens citizens’ distrust regarding the “good intentions” of the president and his party.

A proposal made by social organizations

Three months after the presentation of the *Plan Escudo*, several social organizations submitted to national public opinion a proposal called “Ten Steps to Confront the Crisis through Social and Productive Inclusion”.

This proposal is included within a context in which social organizations have been able to strengthen their resistance to the neo-liberal model; for example, regarding the Free Trade Agreement with the United States, greater influence in national debates on the country’s position and a greater capacity for the submission of proposals. Its points are:

- *Recovering the socio-productive function of the financial system.* Redirecting the financial system towards the national productive sector through the flexibilization of financial indicators and the establishment of social and productive performance requirements.
- *Guaranteeing food security and autonomy as well as agricultural employment.* The reactivation of agriculture and guarantees for the provision of basic food items through price stability, the promotion of production and the marketing of small food-producing crop and cattle undertakings.
- *PROWORK / A conditioned transfer system to promote decent work.* In the face of proposals to reduce the cost of production, either in fact or by law (labour flexibilization and reduction of the working day and wages), we propose a “rewards and punishments” system in order to promote the protection and creation of jobs and decent work, complying with basic standards, minimizing layoffs for economic reasons, discouraging the unfair competition of informal labour and

encouraging social, labour and environmental investment.

- *Joint social responsibility and decent work through infrastructure for social care.* Confronted with the Government’s exclusively compensatory proposal in the matter of social investment, we suggest generating jobs and overcoming barriers to women’s access to the labour market by widening and creating a social care infrastructure which will increase the income of households and reduce school dropout rates.
- *Towards a new role for the Central Bank: re-defining exchange and balance of payments policy.* Efforts should be made to achieve a transparent monetary policy which is subject to accountability, which contemplates the objectives of price stability and the achievement of full employment in a balanced manner and which makes it possible to return to the mini-devaluation system.
- *A humanitarian plan for the rescue of heavily indebted persons.* It is urgent to have a financial rescue plan in place for persons who are heavily indebted, which will guarantee the restructure of their debt, the recovery of their self-esteem, training with regard to responsible consumption and family budget management. Credit card limits should be fixed, at least in terms of a passive basic rate plus a predefined percentage of 10%. These criteria should apply for a period of at least two years, after which they may be flexibilized to a certain extent.
- *“Home-made” consumption.* The promotion of the responsible consumption of national products and the promotion of equitable local markets. Since all national goods and services involve hundreds and thousands of jobs, we should aim at consuming national goods and services. In addition, it is essential to develop local markets, social economic systems, fair trade and social commercialization strategies, understood and declared to be public interest activities, and which enable the coordination of the supply of national production, particularly in the case of small producers, by means of short commercialization chains.
- *Public employment stability.* At this juncture it is essential to ensure the availability of public and private employment. In the case of public employment, central and decentralized government should provide security through a massive process of tenure appointments, both by means of appropriate civil service examinations, and through competition-free appointments according to the terms stipulated by law. In addition, dismissals for economic reasons or due to institutional restructuring should be frozen for a prudential period.
- *A policy for the recovery of purchasing power and the progressive increase of salaries.* It is essential to deal with the depressed salaries of non-professional personnel in the public sector. Furthermore, both in the public and in the private sectors the purchasing power of the work-

ing population in general – and the population with the lowest salaries in particular – should be maintained.

- *Community property in coastal communities and other forms of gaining access to property.* In coastal communities, the sustainability of families depends on avoiding eviction under the pretext of the construction of mega-projects which are now paralyzed because of the crisis. The social impact of mega-projects – ongoing or paralyzed – is enormous. This is why a community property system must be promoted which will allow families who live on the coastal fringe to remain there, and also foster sustainable forms of production, including sustainable tourism, and the improvement of the capacity for responsible consumption. In addition to the coastal communities, it is necessary to generate forms of gaining access to land through rentals or the use of idle land.

In expectation of national dialogue

Costa Rican society is split into two visions of the country which have been confronting each other for some time. For example, in resistance and mobilization against the ICE¹¹ *Combo* (2000), in the 2006 elections and in the fight against the FTA through the 2007 referendum. On the one hand are the sectors which promote the free trade model. On the other, those promoting the Welfare State model but who also wish to see progress in the increase of social, economic and cultural rights, and a higher degree of democracy.

Regarding the Government’s timid responses, social organizations warn that “...if these challenges are not dealt with on the basis of social dialogue and by means of a firm change of course, the persistence of traditional solutions (one-time cash handouts and cuts in public spending, as well as the reduction of rights) will doubtless lead to greater inequality and poverty and to the risk we have already pointed out of turning conjunctural poverty due to the loss of income, into structural poverty, and increasing violence against women, children and the elderly”.¹²

It remains to be seen whether the proposals of the social organizations are capable of overcoming the economic interpretations of the crisis, focusing on people’s lives, on how they are situated and how they are recognized in production, labour, recreation or household administration, amongst other areas. If such an approach is not included, the so-called alternative vision would remain in accord with the prevalent economic paradigms which exclude a variety of activities traditionally considered typical of the “private sphere”. In those, women are persistently made to appear invisible in their role as subjects in the development and reproduction of life, their exclusion and subordination increases and their productive and reproductive labour put to use for the operation of the system itself. ■

9 Vargas, Luis. “*Plan Escudo*”. Extract from the article submitted during “Global Crisis and its Impacts on Costa Rica”, a series organized by the Alforja Studies and Publications Centre and the Citizen Control Network in March 2009.

10 *Ibidem*.

11 An attempt at legislation to privatize telecommunications in Costa Rica, which are under a monopoly held by the Costa Rican Electricity Institute (ICE) with a social projection.

12 Several authors. *Diez medidas para enfrentar la crisis económica con inclusión social y productiva* (“Ten Steps to Confront the Economic Crisis through Social and Productive Inclusion”), 2009.