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## Financial Crisis in Chile and Costa Rica: Perceptions of Households in Precarious Prosperity

Michèle Amacker\*, Monica Budowski\* and Sebastian Schief\*

### 1 Introduction

The global financial crisis in autumn 2008 affected both industrialised and developing countries. Having recently been characterised by economic growth and reforms, Latin America was in a better position to counter the current external shocks in comparison to previous crises. Economic crises are always destabilising and their economic, political and social outcomes are uncertain. Such (macro-level) crises are experienced in different ways in the (micro-level) daily realities of people. We are interested in how households in socio-economic positions adjacent to poverty and considered prone to risk perceive and face this crisis in Chile and Costa Rica. Hübinger (1996) refers to these positions as “precarious prosperity”.

According to coverage rates, degree of institutionalisation of social assistance, and size of social expenditure, Chile and Costa Rica have rather developed welfare regimes in the Latin American context: Chile’s welfare regime is productive and liberal-informal; Costa Rica’s is protective and social-democratic-informal (Mesa-Lago, 2002; Filgueira, 2007; Franzoni Martinez, 2008). “*Protective welfare states* have roots in a political economy that has eschewed emphasis on international markets and focused government efforts on decommodification. ... *Productive welfare states*, in contrast, prioritize commodification and initially evolved from systems which actively encouraged participation in export markets” (Rudra, 2007, 384, italics original).

We expect the perception of the crisis to vary according to both the economic situation of each country, and the different institutional reactions resulting from the regime types’ diverging protective potentials. The question is, however, whether households who experience insecurities and uncertainties as part of their everyday life, relate the changes they experience in their everyday life to the crisis.

To answer this question, we use the information from 21 household interviews from Costa Rica and Chile carried out before and after the onset of the current

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crisis. We analyse all the interviews (totalling 42) after the onset of the crisis; six information-rich households were selected in each country for in-depth analyses before and after the crisis (totalling 24 interviews). The interviews reveal the depth and complexity of everyday precarious realities; they reveal whether and how the crisis, the welfare regime and/or the economic situation are addressed and whether the crisis aggravates their perceptions of insecurity.

In Sections 2, 3 and 4 we provide background information on the financial crisis in Latin America, in Chile and Costa Rica, and their institutional reactions to the crisis. We briefly present the conceptual framework in Section 5. After Section 6 on data and methods, we analyse the households' perceptions of the crisis. The final section contains the conclusion and discussion.

## 2 Latin America and the current crisis

Latin America has experienced several economic crises and the proportion of poor people in Latin America has fluctuated with the business cycles. The current crisis struck Latin America less strongly than former ones (CEPAL, 2009a, 17–18): state finances and currencies have remained stable and a severe damage to the economies of Latin America and the Caribbean has been avoided (Klein, 2009). Klein (2009) summarises the main effects: 1) export revenues declined in Latin America by about 25%, especially regarding raw materials (important for Chile); 2) direct foreign investments shrank at the beginning of the crisis but recovered rather quickly; 3) the migrants' *remesas* (remittances from abroad) decreased by about 10%; 4) revenues from tourism declined by about 5% (important for the Caribbean countries and Costa Rica); 5) the risks in each country and the refinancing costs increased during the current crisis, but declined again in 2009 to the level of 2006/07; 6) the stock prices fell rapidly in 2008 and have not fully recovered – towards end-2010 they were at the level of the pre-boom years of before 2006/07; 7) the food price crisis broke out just before the current global financial crisis. The rise in prices has stopped, but they have become more volatile; 8) low growth rates and rising unemployment have aggravated poverty in the region during the crisis. Absolute poverty rates had fallen from 44% in 2002 to 33% in 2008 and rose again to 34.1% in 2009; extreme poverty rates for the same periods were 19.4%, 12.6% and 13.7% respectively (Klein, 2009, 3).

The magnitude of the crisis in Chile and Costa Rica was classified as “medium” (Klein, 2009). The impact on the gross domestic product (GDP) growth rate was similar in Chile (2009: –1.7) and Costa Rica (2009: –1.5); some countries like Bolivia experienced a growing GDP (2.8), others were hit harder by the crisis, like Mexico (–7.3%). The Chilean GDP growth in 2010 (4.0) is expected to be nearly double that of Costa Rica (2.3); Chile's economy recovered faster than that of Costa

Rica, whose economy is more tightly linked to that of the United States (42.4% of its exports went to the USA in 2008 in comparison to 17.1% from Chile; Lustig, 2009, 9). However, the Chilean economy is vulnerable to changes in exports of raw material and to shocks in the financial sector, while Costa Rica's is vulnerable to tourism fluctuations. Both countries presented a budget surplus in 2008, but Chile's was higher (4.8%) than Costa Rica's (1.8%). Inversely, Chile's budget deficit was higher in 2009 (−4.1%) than that of Costa Rica (−2.8%).

### 3 Chile and Costa Rica – the institutional background

Costa Rica's welfare regime has historically resisted the introduction of radical neo-liberal reforms until the past decade; Chile implemented radical neoliberal reforms in the past three decades and some social reforms recently without altering the welfare regime principles (Filgueira, 2007; Budowski and Suter, 2009).

Countries with productive welfare regimes do not support middle-income households, subjecting them to increased risk and insecurity in times of crisis, leading – in some cases – to downward mobility (Minujín, 1995; Kessler and Di Virgilio, 2008). Long-term instability in Latin America, the opening up of the economies and the lack of adequate instruments to counter the consequences of instability has led to anxiety among the population: “[p]eople's perceptions add to the sense of instability, emerging as fear of job loss disproportionate to the real risk of this happening” (Corporación Latinobarómetro, 2005, 64–65).

Chile has emphasised labour market productivity and expects the labour market and private enterprise to provide solutions for social risk, except concerning the poor. The Chilean economy has been successful in terms of growth and the reduction of poverty rates; yet income inequality remains high and many people have remained only just above the poverty threshold (CEPAL, 2009b). Costa Rica has traditionally provided basic services to a large sector of the population including middle-income households (such as public schools, education grants, health services, etc.; see Franzoni Martinez, 2008; Budowski and Suter, 2009); the economy has not been as successful as in Chile.

### 4 (Institutional) Responses to the crisis in Latin America, Chile and Costa Rica

The Latin American and Caribbean governments reacted more proactively to the latest crisis than to former crises (CEPAL, 2010). Governments used all available social security tools to ease the social consequences of the crisis, such as monetary transfers, sectoral policies, active employment, credit policies and subsidies for basic non-food related services (CEPAL, 2009a). Some countries increased pension

payments or expanded the coverage of non-contributory pensions. Unemployment benefits were extended and the eligibility criteria broadened. Governments increased family allowances and extended the coverage. In 17 countries of the region, conditional transfers were allocated to the poorest groups of the population. According to CEPAL (2009a), around 17% of the population (100 million people) benefit from these programmes that help cushion the effects of the crisis on the poor, yet they make up only 2.3% of the social security contributions.

Chile took action in four out of five areas described above, while Costa Rica did so in all of them: monetary and financial policies were applied to create liquidity for the enterprises; taxes cut and subsidies increased to stimulate investment and consumption; exchange rates and foreign trade policies adjusted to reduce the effects of the crisis. While Costa Rica resorted to several multilateral sources of financing worth several US\$ billions, such as loans from the US congress, the IMF and the World Bank, Chile did not resort to any external financial support.

Chile and Costa Rica broadened the implementation of several labour and social policies to ease the effects of the crisis. Costa Rica prolonged the social security coverage for the unemployed and their dependent families from three to six months. A law was drafted whereby – in case of lack of demand – working hours would be reduced instead of hourly wages or staff cuts. The labour legislation was modified to enable flexible schemes such as the four-day week and annualised working hours. For companies affected by the crisis, the government implemented a programme that provided employee trainings, as well as subsidies for employees in exchange for the employer's guarantee to maintain stable employment and continue paying the social contributions (CEPAL, 2010).

Chile's labour market policy is strongly macro-oriented. The government made an additional budget available for labour-intensive employment or for investment schemes if unemployment rates or the slow-down of the GDP growth exceeded certain levels; it also provided subsidies to hire employees, and labour subsidies for young low-wage workers. The Unemployment Solidarity Fund was extended to include all unemployed workers. Similarly to Costa Rica, the Chilean government decided to encourage companies to retain and train employees. The only new social policy introduced in Chile was a single payment of 70 US\$ (CL\$ 40 000) per child in March 2009 and originally meant to alleviate the higher expenses that (low-income) families have in this specific month, the *bono marzo*<sup>1</sup>; however, as the recession began to show effects in the course of 2009, it was paid again in August and came to be considered an anti-crisis policy.

Costa Rica's social policies were slightly more extensive than those of Chile. Its Government increased expenditure on social affairs (food, transport, gasoline,

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1 As to which households qualify for the *bono familiar* or *bono marzo*, see <http://www.chileclic.gob.cl/portal/w3-article-188486.html>; <http://www.bcn.cl/guias/bono-marzo>; <http://www.gobnodechile.cl/especiales/bono-marzo-todo-lo-que-usted-debe-saber/>.

education and housing). The non-contributory pensions of the social security fund rose by 15%. In the 37 poorest districts, children's meals were offered on weekends and the *Avancemos* programme that provides educational grants to young people was extended.

## 5 Conceptual framework

We conceptualise the households' socio-economic positions as "precarious" yet not poor, linking into the concepts of "precarious prosperity" and/or "vulnerability to poverty". Socio-economic positions considered particularly prone to risk are located adjacent to the income poverty threshold, in-between politically defined poverty thresholds, and secure material prosperity. They are conceptualised as "precarious prosperity" (in the North, e. g. Hübinger, 1996; Vogel, 2009) or as "vulnerability to poverty" (in the South, e. g. Bankoff, 2001; Pizarro, 2001), and generally defined by income and/or living standards respectively. About 30% of the population in Chile and Costa Rica is estimated to occupy such positions (e. g. Denis et al., 2007; Mora Salas and Pérez Sáinz, 2009). These households do not benefit from programmes targeted towards the poor, yet do not have sufficient means to feel cushioned when unforeseen events happen.

The situations of households in precarious prosperity are heterogeneous and differ in the degree of their precariousness due to the temporality inherent to the term (insecurity and uncertainty), and to their variable assets, resources and constraints.

We identify the perception of the crisis through direct or indirect experiences in everyday life: employment loss or change, lower income, not risking a change in employment, or/and by public discourse about it. In the analysis, we need to disentangle the perceptions referring to events that are part of everyday ups and downs from those referring to the global crisis. The data allow us to distinguish between possible experiences that could be attributed to the crisis (changes between 2008 and 2009), the perception of insecurity (in 2008 and 2009) and the references to the crisis (in 2009). As the target households deal with insecurities in their everyday life, even experiences directly related to the crisis may possibly not be perceived as such.

As presented in the previous sections, i) Chile's economy was less affected than Costa Rica's, and ii) the countries vary in terms of their welfare regimes. The different welfare regimes (protective/productive) suggest that the Costa Rican households would feel better buffered, and be less worried about economic insecurity and everyday expenses than those in Chile. The different overall economic development of the two countries (e. g. GDP-growth) would lead to an alternative assumption: households in Costa Rica would be more worried about the country's economy than those in Chile. The second assumption is supported by results at the onset of the crisis from the Latinbarometer in 2008: the economy was the most important

problem for about 32% of Costa Rican households in comparison to 18% for Chile (Corporación Latinobarómetro, 2008, 23).

## 6 Data and method

The analysis builds on data from the project “A Comparative Perspective on Strategies of Households in Precarious Living Conditions in Four Countries” financed by the Swiss National Science Foundation. The same 21 households in each country were interviewed in May to July in 2008 before the crisis and again in October to December in 2009 after its onset. Retrospective and prospective information was gathered in qualitative interviews concerning the actual household circumstances, problems, resources and assets, as well as on their expectations and plans; further topics were the household trajectory, including important events and changes between the first and the second interview.

Sampling was carried out by means of a random walk selecting every  $n^{\text{th}}$  household in previously chosen neighbourhoods where we expected a greater probability of locating the target population. Households in precarious prosperity were screened by means of two criteria: 1) an income indicator<sup>2</sup> and 2) a deprivation indicator<sup>3</sup>. “Precarious prosperity” is operationally defined as having an equivalised household income above a given lower (poverty) threshold yet with more than a defined number of deprivations, or having income below a given upper (prosperity) threshold and having less than a defined number of deprivations<sup>4</sup>. From this sample, we selected the 21 households according to diversity of household composition and types of income sources. For the temporally and biographically contextualised analysis over the year of crisis, we selected six information-rich cases (Patton, 2002) in each country according to whether they had experienced a decline or an improvement in income and/or number of deprivations, or had not experienced change in this respect. In addition we selected these six on the basis of variation in income, household size and structure, and type of attachment to the labour market. The verbatim transcriptions were analysed by means of a “thematic framework analysis” (Ritchie et al., 2003).

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2 *The income indicator:* The target population was defined as having an equivalised household income in the fourth to sixth decile of the per-capita income distribution.

3 *The deprivation indicator:* Deprivations refer to the lack of possessions, activities or access to services due to financial constraints that a majority of the respective country population has or does (e.g. being able to invite friends over for dinner once a month or being able to save a certain amount of money per month). A deprived household lacks four or more such items from a total amount of 14 possible items.

4 Poverty is defined by a combination of deprivations above a given threshold and an equivalised household income below an income threshold; “secure” prosperity is characterised by an equivalised household income above a given income threshold and having less deprivations than the deprivation threshold.

A limitation regarding the analysis of the perceptions of the crisis is the short time span between the first and the second interview (18 months) as the impacts of crises are perceived rather mid- than short-term.

## 7 Results

In this section we present basic patterns of the 21 households' perceptions of the crisis in each country in autumn 2009 and whether they contribute to aggravating their feeling of insecurity. These are followed by the temporally and biographically contextualised analysis of the six interviews with the same households before and after the crisis in each country.

### 7.1 Experiences of change and perceptions of crisis in Chile

The interviewed households experienced changes to varying degrees, yet the overall analysis suggests that they did not attribute these changes to the current crisis. About half of the 21 households talked about the crisis in 2009 generally only after being asked about it. We find three different patterns: i) perceptions based on *direct experiences* of the crisis; ii) perceptions based on *indirect experiences* of crisis through others or rumours; iii) and *deliberations about the crisis*.

- i) Perceptions based on *direct experiences* consist in a household member being laid off, earning less or selling less products or services, difficulties in finding a stable formal job or a new job with equal pay that lead to strategies of holding on to (unsatisfactory) jobs so as to at least have one. The growing gap between rising costs and declining wages and income may also be subsumed to this pattern, with the consequence of needing to accommodate or restrict the household's activities:

*Well, unfortunately they closed a branch location and this led to moving the employees who had worked there longest to another location and all the others were laid off. It was, more than anything, the crisis that the whole country is experiencing presently. Well this has not affected only us, but many more people even of the same sector have been left unemployed. ... Well this year has been a very bad year ... (CL23, 2009)*

*We used to go out every month to eat, to let the children play; this year we didn't do this. You need money to go eat and use the games. So you feel restricted in these things ... (CL11, 2009)*

*Well, I just adjusted ... bought cheaper merchandise so that the people can afford it. (CL15, 2009)*

*... He had to ask for holidays in September, because he was not selling anything ... this has been kind of a more or less bad year; that is why people think the enterprise will change its owner. (CL09, 2009)*

ii) Perceptions based on *indirect experience*:

*Regarding economic issues, nothing happened, but from time to time work became less and then they began to become frightened, ... but because he is a responsible person, well ... [he was luckier than others to be kept on] (CL01, 2009)*

*Well, where I work, it was worst last year in December... they dismissed many people, many, many people. And they let everyone go on vacation in January, February, ... and very few people remained working. ... I left [due to pregnancy] and my colleagues tell me that nothing much has changed since ... (CL08, 2009)*

iii) *Deliberations about the crisis*: Some respondents observe how the crisis provides the opportunity to pursue certain interests or purposes: in one case to reduce prices (CL11), and in another to motivate people to defend their labour market interests (CL16). Others observe that the perception of the crisis depends on the particular personal and household's circumstances (CL08: pregnancy and intention of leaving; CL15: husband's income) and that feelings of insecurity (brought about by the crisis or not) depend on these. Finally, the crisis may also have positive aspects (CL16 and CL20).

*Yes, supposedly we are in crisis: The people say "oh, we are in crisis", but there are clients and clients [that want to take advantage of the crisis for their purposes] ... (CL11, 2009)*

*Everything has remained as always, and thinking more towards the future, we would like to build a union to defend ourselves, because we don't have one yet. (CL16, 2009)*

*Where I work, the sales decreased substantially, so suddenly we heard rumours that the enterprise was going to shut down. ... but, because I was already pregnant, I wasn't so worried, because it wasn't going to change very much for me if they were going to dismiss me. And we didn't actually have to restrict our way of living ... (CL08, 2009)*

*I have not felt anything, neither crisis nor any improvement, nothing. We have always lived in the same way. Well, this might be because – we, I don't work, so I don't depend on this; I depend on the income from the insurance. (CL15, 2009)*

*Interestingly, as long as I have been working in this trade, we have had most work in periods of crisis ... because then the people don't have the money to buy new things and have their old things repaired. (CL20, 2009)*

In summary, perceptions of the crisis may be based on direct positive and negative experiences or relate to other observations. Although various households talked about layoffs or decreasing sales that could have clearly been attributed to the crisis, they did not do so; most worries were focussed on how to repay their debts, on health issues or school expenses (not presented here).

To disentangle the perception of insecurities directly related to the crisis from the insecurities and changes that happened during the year, we analysed the interviews with the same six households before and after the crisis and distinguished between those households, whose socio-economic situation had (i) deteriorated, (ii) remained the same or (iii) improved. In general, the respondents did not refer to the crisis to explain changes in their living conditions or their feelings of insecurity. It only came to the fore when prompted by the interviewer. Even where mentioned, the crisis appears less important than other events (deaths, sickness, changes in the wider family, pregnancy, debts, difficulties in finding a stable job, etc.) or other problems the households have faced in the past.

- i) The two households, whose socio-economic situation deteriorated between 2008 and 2009 appear directly affected by the crisis: the respondent's husband (CL23) lost his sales job as the enterprise was restructured and the other respondent (CL22) reports the bankruptcy of her recently opened snack-bar.

*Well this year our situation has unfortunately not been very good. My husband has become unemployed and this makes everything very complicated. ... This happened in April. (CL23, 2009)*

Although the respondent's husband was able to generate the same amount of income working independently as a welder than when he was employed, the respondent's feelings of insecurity had increased due to the loss of formal employment.

The bankruptcy of the respondent's (CL22) snack-bar in 2009 appears a clear case of the crisis:

*This year it started to deteriorate very badly and in June the income did not cover the costs for the snack-bar anymore and even less cover the costs at home, for food, well ... my husband works and pays the bills for electricity, water and makes sure the dividends are up to date; the food is my contribution to the household ... in June, July more or less ... I closed the snack-bar, because the costs were higher than the earnings, so we subsisted*

*at home with my sewing, I repair clothes, I do anything ... really, I think we really felt it, because what I sold was kind of something extra for the households, the crisis, ... because to come and buy French fries is to offer something in addition to what the households need, or to give money to the children to buy French fries ... and there came the time when not anymore. No children came anymore, few families, nobody ordered anything to take away, so you really felt the strong decline. (CL22, 2009)*

However, the first interview and her employment trajectory highlight how her problems have accumulated over time: she lost her financial stability and security when she was laid off in 2004 due to work-related health problems from her job in the factory (together with many other female workers with the same problem). She then incurred high debts to open up her snack-bar and continuously sought new resources to maintain it:

*Yes, I am still paying the debts I made for the snack-bar, but I have stopped paying the interests for the other house [12 months ago] (remember I told you I had another house?) to pay this one and to pay my mother back ... (CL22, 2009)*

*I tried to find another type of help, like Capital Semilla, asked FOSIS, because that organisation helps micro enterprises, but I never received an answer ... (CL22, 2009)*

Although the respondent attributes the bankruptcy to the crisis, the other information and assessments she provides suggests that the crisis was not the main reason but probably tipped the scales by adding a further burden to the respondent's many problems: health problems, layoff, the lack of resources to build up a business and make it through the first months, her large patchwork family and the educational costs for their children.

- ii) *In three households (CL02, CL04, CL06) the economic situation has not substantially changed between 2008 and 2009. In two of them (CL02 and CL06), the increase in feelings of insecurity are not related to the crisis. One respondent (CL02) became depressive because although she would desperately like to work (mentioned already at the first interview), she cannot because she needs to care for her two ill children. She also has relational problems with her partner. The inefficient public health system and the high costs for the private one further increase her anxiety.*

Respondent CL06, a divorced woman with two children, feels very insecure due to her precarious employment contract as a teacher at the public school: long-term (legal) problems – mentioned already in 2008 – and a change of the political party triggered a wave of layoffs recently.

*The stability of my job is very bad. Where I work they laid off 250 people when the mayor changed. The mayor was from the Concertation party and the new one belongs to the Alliance party. Well, the mayor said he did not lay off anybody, but he just didn't prolong the existing contracts, it is just a different way to see it ... But thanks to God, I could keep my job but with an incredible insecurity, because they even committed illegal things with our contracts ... (CL06, 2009)*

In addition, she is constantly worried about her daughter's tumour that needs to be operated; their admission to the governmental health programme that will cover a substantial part of the operation costs has alleviated the financial situation. Although she has lost her husband's alimony payments because he was laid off, she (CL06) does not mention the crisis at all.

In household CL04, it is the interviewee's husband's irregular income attributed to the crisis that appears to have led to feelings of insecurity: her husband earns less with the evening clients but compensates this with student transports. However, the comparison with the interview in 2008 reveals that income and feelings of insecurity have remained basically the same:

*[What was difficult?] For example, the debts, suddenly, as they said in the news in the morning ... you have to make debts to live. ... We would like to live quietly, but that quietly ... well, we are not in a bad situation, but this living quietly ... for example, ... my husband really has to work, to get the money, so that we can pay everything, ... well, almost everything at the end of the month ... (CL04, 2008)*

Neither their perception nor the financial situation changed; moreover these general feelings of insecurity have received a name: "crisis".

- iii) *One household (CL16) improved its situation:* the couple bought the house they live in and a computer. He was able to improve his labour contract (for two years instead of one) and she continues to have a stable and formal job. At work, at a day care centre, the wife observes the crisis as many of the children's mothers have lost their job. The husband wants to take advantage of the situation to improve the working conditions and better protect the workers by building up a union.

*... it is a year with many, many strikes, lets say to loose your job, we have been fortunate, because till now we still have our employment. (CL16, 2009)*

*... Well, we had stress at work, strong stress, they required much more from us, we had to work more hours and present ourselves constantly ... that is why we want to build a union. (CL16, 2009)*

Summing up, the experience of crisis – when comparing the interviews before and after the crisis – is not as clear-cut as the information suggests from the interviews of all households after the crisis. The analysis provides evidence that it is important to compare and distinguish between what the respondent told us at both points in time, how the circumstances were assessed and embedded in the household and employment trajectory: only with such before-and-after comparisons can general feelings of insecurity be separated from the experience of the “crisis”.

The six cases suggest that the interviewed households in Chile do perceive the crisis, but not as a major influence on the economic wellbeing. Both the time perspective of the problems and the type of problems highlight that economic insecurity is not a direct effect of the crisis; moreover, personal issues (family and health), and in general, the difficulty to maintain or access formal employment, or irregular income account for feelings of precariousness. An important result of the analysis is that formal and stable jobs substantially diminish the feelings of insecurity even if they generate a low income. We conclude that the above-mentioned conceptual characteristics of precarious prosperity, the lack of good quality public services in Chile, and unstable (informal) employment play a more decisive role on the perception of insecurity than the current crisis.

## 7.2 Experiences of change and perceptions of crisis in Costa Rica

The general perception of the crisis in Costa Rica is less pronounced than in Chile: seven of 21 households mentioned it directly after having been prompted; only one addressed the crisis directly. The basic concerns are the rising costs of daily life, the decline in income over various years and the difficulties in finding formal employment with a similar level of income as in former years. Accepting any job or holding on to (unsatisfactory) jobs – to at least have one – may also indicate the crisis. One respondent criticises public policies and identifies positive effects of the crisis; another points out how the crisis is used for company interests.

Of the three different patterns of perceptions on the crisis found in Chile, most of them in Costa Rica belong to the first one, i) *perceptions based on direct experiences* of the crisis; few belong to the third one, iii) *deliberations about the crisis*.

- i) *Perceptions based on direct experiences*: households feel their small enterprises are losing money or not yielding sufficient profit, since people spend less; they receive lower advance payments for goods and services or lower returns on debts; they earn less or cannot find an adequately paid job:

*Well, I would say [my enterprise] didn't go well ... so that you can have an idea, I am loosing about 500 000 Colones or more, and for such a small enterprise ... it is a lot ... because quite a few people have not paid because their situation is not good, or because they don't have the money, or for this or that reason ... (CR07, 2009)*

*... and those who paid me 10 000 Colones [formerly] now pay me 5 000 and those who paid me 5 000 now pay me 3'000, so all the returns on debts turn out to be low and only the good people pay, but imagine those who I can hardly to get to pay ... (CR13, 2009)*

*Yes, well, ... it is difficult, now with the crisis it is difficult, because he [her husband] has tried to find another job, but as the labour market is difficult, he hasn't been successful yet. We will wait, but meanwhile he will have to stay where he is as long as we need the money. (CR13, 2009)*

*Maybe, really, where my husband works, the demand fell completely, as I told you before, about 25 doors per month were sold and the demand dropped to about 3 to 4 a month or even less. It wasn't because the doors were of bad quality but because the people didn't have the money to buy them. In addition, the construction material is very expensive, so they don't sell much; but at this time of the year it is improving; people receive their 13<sup>th</sup> month salary (aguinaldo), so that has increased the sales a bit and helped the company out. (CR19, 2009)*

*Well, everything is the same, I am ... trying to stay informed everyday and about what has led to the crisis getting worse ... (CR01, 2009)*

*Well, you make you budget and everything ends up to be twice as expensive ... (CR01, 2009)*

- iii) *Deliberations about the crisis:* that certain labour regulations were loosened or reformulated, such as being able to work on a Sunday, were considered to be positive consequences of the crisis. Such remarks reflect criticisms of the Government's protective regime. The ironical reference to the crisis as "the famous crisis" highlights how it provided opportunities to justify particular (client or company) interests.

*They [the Government] are already thinking about a day when you are not allowed to use the car on a Wednesday, but you can work a Monday or on a Saturday ... I will be able to work on a Sunday. But the crisis will really affect us, and the economy ... (CR20, 2008, talking about the gasoline crisis)*

*The problem was that the company was participating in the bid, but another company came and offered everything much cheaper, so due to the famous crisis, [the company] decided to reduce costs and contracted the new company. (CR16, 2009)*

Most of the perceptions refer to the country's general difficult situation rather than to the financial crisis. The previous crises (food crisis and the rise in gasoline prices in June and July 2008) are entangled with the current financial crisis.

The six interviewed households in Costa Rica that we analysed in detail provide a similar picture as in Chile: changes are generally not related to the crisis, but to the household's economic situation, i. e. the crisis does not figure as the major explanation for the problems the households face. The respondents complain about rising costs and the difficulties to obtain a stable contract with a decent pay, but these complaints are not restricted to the year of crisis. Again, the characteristics of insecurity in positions of precarious prosperity seem to account for the households' experiences more strongly than the financial crisis; however, instead of the affordability of quality public services – as was the case in Chile –, these households are more concerned about the country's deteriorating economic situation, lower income and rising prices<sup>5</sup>. We selected households whose socio-economic situation had (i) deteriorated, (ii) remained the same or (iii) improved.

- i) *Of the two households whose situation deteriorated, only one actually experienced a negative change between 2008 and 2009. The respondent's (CR01) son-in-law, who assures the greatest part of the two-family household income, was laid off after 25 years of service. Three months prior to the second interview, he found a new job paying slightly more than half of his former income. Despite the layoff and the considerable decline in household income, the respondent does not feel more insecure than in 2008. She attributes their household changes to the difficult situation in the country, and is glad she lives in the rather stable conditions made possible by her pension, her son-in-law's regular income and her having paid off the mortgage debts.*

*The economic situation has deteriorated substantially, really, yes everything and the basic food basket's prices are going up and up, ... but thanks to God we don't have to pay for accommodation. (CR01, 2009)*

*He postulated in the newspapers and many people called him and offered him more money, but this one was the most stable job, stable, and he is very happy there, we hope they will give him a rise in salary ... (CR01, 2009)*

The lack of feeling of insecurity is surprising in the light of the household trajectory (CR01): household income declined by approximately 50 per cent over the past seven years and the respondent's granddaughter is severely handicapped. The respondent worries about the costs of her grandchild's permanent therapeutic and medical necessities, the rising costs for gasoline (to take the granddaughter to therapy), the low salaries on the labour market, the precarious employment conditions, as well as the rising prices for food, living

5 The Costa Rican respondents, however, complain about the waiting queue in health services and blame the Nicaraguan migrants for it.

and education. The decade of (financial) downward mobility while having maintained a regular income is not attributed to the current crisis.

Household CR08 is a special case: the respondent has no options in the next few years (he cannot seek a formal job and resorts to work in the informal sector) because he is persecuted by law due to high, unpaid debts. The crisis plays no role in his situation; his financial situation deteriorated substantially when he separated (just before the first interview in 2008); the precariousness intensified due to his major alcohol problems, his debts, and being the father of four children. In 2009, his second son and his father in law, neither of whom work, moved in with his eldest son and himself. The same household income thus needs to suffice for more people. As he remarks: “we have to take it smoothly” (CR08, 2009). Nonetheless, the respondent feels much better and optimistic: he is able to share his life with two of his four children, he does not drink anymore and has found faith; he expects his material situation to improve when his children finish school and start working.

- ii) *The two households where the economic situation has not changed substantially between 2008 and 2009 (CR05, CR09) do not mention the crisis directly, although various events could easily be attributed to it. Both adult sons in household CR05 only recently found more stable jobs: one with a formal contract, the other without. The son’s new formal employment provides health insurance for the family. The stability of the respondent’s husband’s (CR05) income improved from 2008 to 2009, as he acquired more clients and diversified his products. The respondent does not want to think of many of the ups and downs the household has gone through; she feels they are consolidating and improving their household circumstances and the son’s formal employment is considered a great benefit.*

*We are the same ... my husband’s income does not allow for much, but recently they [the sons] started working and are cooperating a little, ... they have stable jobs, previously they had jobs where they only worked a few months and were laid off again ... (CR05)*

Household CR09 has a stable but low-income situation. The respondent’s husband has a fixed contract but is earning slightly less than last year, because he recently began a new job; she works in a snack-bar. She mentions that the clients consume less yet she considers this to be related to the country’s increasingly difficult economic situation and the deteriorating working conditions. The actual crisis is not mentioned.

*Well at least my income has decreased substantially, substantially, I earned much more years back, but the situation has changed and my husband has started a new job, because he left the other one, so he is starting and is earning like those who enter a new job. (CR09, 2009)*

Her feelings of insecurity remain the same, as they were formulated in 2008:

*Well, in reality, you can never be sure, because, diay, any minute ...*  
(CR09, 2008)

- iii) *Both households that have improved their income* (CR06 and CR20) between 2008 and 2009 have done so through the labour market: in household CR06, the respondent's two sons began to work and her daughter's partner left, so the financial situation improved. The husband's micro-bus-business is not profitable because their clients pay less and more irregularly due to the difficult situation in the country; they cannot pay off the debts incurred to purchase the bus. But – as the household explains – they need to carry on with this business: her husband has no chance to find a formal job at his age (56 years old).

The respondent in household CR20 is particularly aware of the country's problems and its dependency on the USA. He has difficulties selling his products at the higher prices required by the higher production costs. He therefore informally associated with two partners last year to reduce costs and increase gains, a strategy that was successful. He sees positive aspects in the crisis (reformulation of labour market regulations) and criticises some of the Government's policies that emphasise redistributive and protective (for particular groups), instead of productive, policies – e.g. the support only of lone mothers' micro-enterprises, but not of those of professionals:

*I heard there was much help for micro enterprises as a result of the crisis, much help for example for lone mothers. I myself am handicapped, but I have not heard of a programme that says "well, because you are handicapped, we will help you", but I have heard of banks saying "well, if you want a credit, here we will lend you money for your micro-enterprise ... but please prove that your micro enterprise is good for the country: if it is, we will lend you money, if not, then not". This is really a very subjective criterion: "what is good for the country?"* (CR20, 2009).

In conclusion, the Costa Rican households are concerned about the difficult economic situation in the country that has consequences for their everyday life and has had also in the past; the households reveal trajectories with large ups and downs; the financial crisis does not appear particularly relevant when compared with the general economic situation of the country and other household problems. With the exception of one household (CR20), who had already referred to the food crisis in 2008, very few direct references were made to the current economic crisis. Again, the general characteristics of precarious prosperity (insecurity) appear more dominant than the actual crisis when explaining their situation, as the following quote highlights:

*You can say that we moved upwards a little but then, when we had this problem, we moved down and began at the beginning again; there we stayed for five years trying to get over what had happened, because if you have something and you lose it all, it is hard to start all over again. You can say we moved up, moved down, and now we are moving up again slowly. (CR05)*

## 8 Summary and conclusion

In this paper we compared how households, who generally deal with insecurities (precariousness) in everyday life perceive the current financial crisis. We also ask whether the perceptions vary between the countries according to the welfare regime or the overall economic situation of the country. The data consist of qualitative interviews carried out in Chile and Costa Rica with the same households in 2008 before, and again in 2009, after the crisis.

Chile's economy was less affected than Costa Rica's, but Costa Rica has a more protective welfare regime than Chile. Despite the differences in the economic and political tradition, the countries' reactions to the crisis were similar, albeit with a different emphasis on the measures.

In Costa Rica, the households referred to the global economic crisis less often than in Chile. The salient topic in both countries was the access to a stable labour market (and decently-paid jobs; e. g. one household in Costa Rica lost more than one third of its income due to redundancy and entry into new employment). In Costa Rica, households were greatly concerned about the economic situation of the country; in Chile the dominant issues were the quality and costs of the health and school systems (public, private and mixed).

Individual and household level findings thus challenge some of the results of macro-findings: the analysis reveals that the interviewed households do not perceive the global financial crisis to be a crucial event impacting on their everyday situation. It further suggests that even when the issues may be directly related to the financial crisis, like labour market issues, reduction in income or layoffs, the general precarious circumstances appear more apt to account for the ups and downs of the interviewed households' trajectories than the global crisis. If the situation worsened, the households generally attributed it to other reasons (health, family problems, financial problems existing already before the crisis, the general deterioration of the country, the costs of health services, debts, etc.). In addition, feelings of insecurity in both countries are largely related to the lack of a household member with a stable and formal job; a lack of quality public services in Chile and a difficult economic situation in Costa Rica further aggravate them.

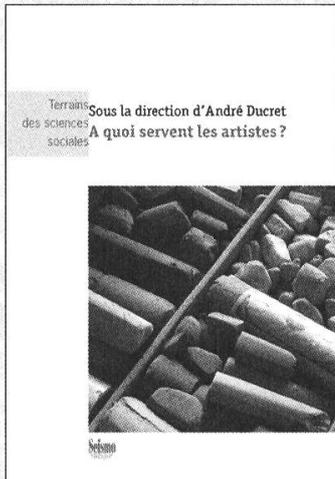
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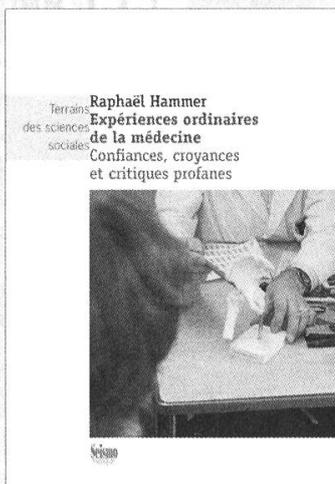
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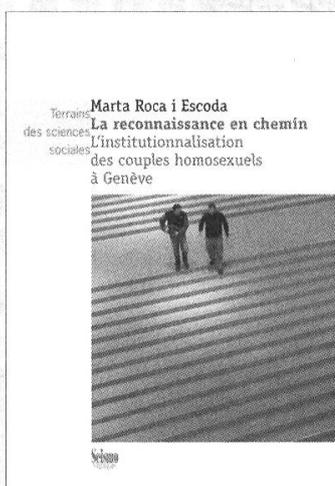


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