

“Accelerating Global Actions for a World Without Poverty”

"Poverty eradication, the confluence of multiple crises and recovery strategies: the experience of Costa Rica"

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Introduction:

“No other investment yields as great a return as the investment in education. An educated workforce is the foundation of every community and the future of every economy.” (Brad Henry)

Education is the most powerful and effective tool to fight against poverty, and no matter what, our governments should never stop investing in education, particularly in public education, because education is the basic building block of every society.

The COVID-19 Pandemic and the response of Costa Rican Government

Costa Rica is seen as an example of democracy, with separation of powers, transparency, accountability, freedom, respect, and fair and free elections (ONU, 2020). It's also seen as an example of stable and pacific democracy, 74 years ago took the decision to abolish the army, gave women the right to vote, and provided other social, economic, and educational guarantees for all its citizens.

We have built strong institutions as a fundamental bases of our democracy, and we have defended it for decades. We understood, from the very early days of our democracy, how health and education policies would become the fundamental tools for the construction of a prosperous country, even before education and health were known as the fundamental elements of the human capital of every nation.

That's why it is a main difference of our country and the rest of LATAM countries: a historical tradition of respect for democracy, human rights, and a special obsession with offering good quality education for all.

Nowadays, the country faces several challenges that were intensified by the COVID-19 pandemic. Many of these challenges are long-standing and are related to decisions that the country has made or failed to make, and which have become structural problems for which we have not been able to find a sustained solution.

In the fiscal area, we have reached a suffocating level of debt, to the point that one of every two dollars in the public budget must be used to pay this debt, which limits the possibilities of making investments to improve public services.

High levels of informality prevail in the labor market, and practically one of two jobs were in this condition prior to the pandemic, which in all cases implies a breach of our labor guarantees. It is also

a fragmented labor market, where the low participation of women not only directly affects the well-being of their families, but also limits the potential growth possibilities of the economy.

A pension fund system that in a few years will not be able to guarantee a basic pension for those who require it, and a fragile education system, which barely manages to get 55% of students ended the high school, just to mention the most relevant.

Problems to which we have delay their solutions for many decades, and every year we see closer the consequences of this systematic procrastination.

Fortunately for the country, our health national system has been recognized worldwide as a strong system, that covers and protects the entire population through a solidarity financing system, in which each worker contributes a part of their incomes to finance the care of their health and that of those who are not able to do it.

It is one of the reasons why the response and the actions implemented by the Health Sector during the pandemic allowed to protect the population, with the result of one of the lowest rates of deaths from COVID-19 worldwide.

But, as in many other regions in the World, the containment measures that started even before the country confirmed its first death from COVID-19 on March 2020, had a direct and immediate impact on other important areas for the progress of the country.

In the education area, Costa Rica was one of the three OECD countries where school closures were the longest. More than 175 effective days without receiving face-to-face lessons for a school calendar of 200 days a year tell us a lot about the impact on students, also considering that the educational system was not prepared to offer online education, and students and their homes were not prepared either to receive this educational modality imposed by the pandemic.

The limitations in access to the Internet was the center of the debate in education during the first year of the pandemic, and after identifying that a third of the students in the country did not have access to the Internet, a public policy was designed for their attention, with the goal of accelerating the Internet connection in homes, especially for poor families.

On the other hand, the limitations imposed on many economic activities produced a contraction that the country had not seen since the last great economic crisis that occurred in the early 1980s, and by mid-2020, the percentage of the economically active population (EAP) with employment had fallen from 55% to 43%, a considerable drop down; due to the increase in the unemployed population (which went from 7.8% to 13.7% of EAP) and especially, due to the increase in the number of people who had to leave the labor market (from 37.5% to 43.1% of EAP).

This job loss affected women and the informal sector of the economy with greater incidence. The gender gaps in the labor market grew, and by mid-2020 only 30% of the economically active population of women had a job, but in the other hand we found a 56% of men, and family obligations continue to be the main reason why women left from the labor force.

The loss of jobs as a result of the containment measures was the triggering factor for the increase in poverty levels, due to the reduction in disposable monetary income in households.

In 2020, all households in Costa Rica received 88% of the real income they had previously received in 2019, with a similar decrease between the different income groups. But the most disadvantaged were among the least affected in relative terms, because of the role of state subsidies, especially the one called “Bono Proteger”, an extraordinary and temporary monetary transfer, which avoided an even greater income decline for the most disadvantaged families.

Poverty in Costa Rica during and after the Covid-19

According to national and official data, poverty in Costa Rica rose up from 21% of households in 2019 to 26% in 2020, and it wasn't of the implemented social protection policies, the final figure would have been 30%. This increase in poverty levels is a direct effect to the decrease in household income as a result of the loss of jobs.

However, since 2015, Costa Rica has also implemented the Multidimensional Poverty Index (MPI) as a complementary measurement to monetary poverty. Multidimensional poverty, which was 22% of families in 2015, was at levels of 16% in 2019, and remained at that level in 2020, despite the pandemic, which shows a great difference in the behavior of both types of poverty measurement in the face of shocks such as the one associated with the COVID-19 pandemic.

In the case of multidimensional poverty, the indicators included in this measurement have a more structural nature, which did not show short-term variations.

To cut half the levels of poverty in all its dimensions is one of the main Sustainable Development Goals, and although the Covid-19 pandemic implied a setback for many countries in this objective, Costa Rica is still in a good position to achieve this goal with the measurement of multidimensional poverty, which for the year 2022 was 14%, and which is getting closer and closer to the objective of closing the year 2030 with just 11% of families in multidimensional poverty.

In this sense, not only the government policies have collaborated to maintain a sustained reduction in multidimensional poverty levels, but the private sector has played a fundamental role in complementing state efforts.

In August 2017, a private sector organization, with technical support from the Oxford Poverty and Human Development Initiative (OPHI), launched the Business Multidimensional Poverty Index (bMPI) as a private-sector initiative.

The Business MPI is an adaptation of the Multidimensional Poverty Index for the corporate sector. It measures the living conditions of employees and their families in various areas considered as priorities for the country.

Costa Rica was the first country in the world to use the MPI in the business sector, and the model was so successful that it was replicated by the Oxford Poverty and Human Development Initiative, and according to the most recent data, this private initiative has reached 2% of the country's households, being the most far-reaching private initiative implemented in Costa Rica with the goal of reducing poverty.

But in the case of monetary poverty, the situation is different, and the post-pandemic poverty level of 23% is even higher than the baseline established in the SDG for Costa Rica. But again, this level of

poverty could have been higher if some extraordinary social protection policies had not been implemented during the pandemic.

The case of education

But despite having avoided a further increase in poverty levels, containment measures not only reduced household incomes, but also government incomes, and to finance social protection and health policies during the pandemic, it was necessary to cut spending in other strategic areas, on which the education sector was most affected.

Costa Rica is one of the few countries that has established by constitutional mandate that the country must allocate at least 8% of its Gross Domestic Product (GDP) to education, and that for no reason, the educational budget must be reduced.

But not only the 8% was never reached (7.7% in 2017), but even before the pandemic started the Government of Costa Rica has reduced the education budget year after year since 2018.

During the pandemic, the budget assigned to education has decreased to address the health emergency and reduce deficit pressures, but this shouldn't be the norm for the coming years.

But this has been the constant, and for the present school year, (2023) the educational budget is equivalent to 5.3% of GDP, a setback of 15 years that seriously affects the quality of the educational service for the students, also considering that Costa Rica is one of the three countries with the lowest educational investment per student in the OECD, dedicating less than half of the OECD average.

What is happening in the education system of Costa Rica today has been described by the specialized academy as an "educational blackout", and legislators have described it as an "educational crisis". This crisis is the confluence of structural challenges that were not solved even before the pandemic and short-term decisions that will have lasting effects.

And the problem with these decisions is that, it seems we forgot that only 40 years ago we lived a similar situation, as a result of an economic crisis that forced the government to cut off the educational budget, and as an immediate result was the student drops out of young people who may never again had the opportunity to return back to the classroom and who became to be known as the "lost generation" of the 80's.

Can we assume that the youth in reference will have success future with that lack of educational access? Nowadays we know that in Costa Rica, of the total families in poverty, 80% have at least a person belonged to this lost generation as the head of the household.

As a consequence we not only sacrificed their future but sacrificed the future of Costa Rica as well, that depends on an educated and healthy population.

"Those who cannot remember the past are condemned to repeat it" (George Santayana, The Life of Reason, 1905). The Government of Costa Rica seems to have forgotten the devastating consequences of reducing investment in education, but we still have time to correct the path.

Policy recommendations

In terms of poverty, it is essential that policy responses pay special attention to poor and vulnerable people, both for ethical reasons of prioritizing their needs, and for the permanent effects that temporary disruptions can have on the lives of children, teenagers, and women living in poverty. However, poverty reduction should not only be achieved through temporary relief provided by direct cash transfers but should also be strengthened based on the generation of quality jobs that allow working-age individuals to obtain the income needed to exit poverty permanently and stably.

High-quality employment requires a strong macroeconomic policy framework, an environment conducive to growth, and competencies that evolve in line with market needs. The recent crises of the present century have highlighted the importance of countercyclical macroeconomic policies to stabilize economic and labor market outcomes and prevent temporary contractions of activity from turning into low-growth traps.

The flexibility of product and labor markets is essential to create high-quality jobs in an even more dynamic environment, but the gains and costs of this flexibility must be shared equitably between companies and workers. Therefore, policies must strike the right balance between flexibility and employment stability. The challenge is to ensure that resources can be reallocated to more productive uses while also providing a level of employment stability that fosters learning and innovation in the workplace.

It is important to reinforce equal opportunities so that socio-economic status does not become the determining factor for success in the labor market. Given its link to education policies, this requires overcoming obstacles to acquiring education and labor skills for people from disadvantaged backgrounds through interventions during (pre)school years and during the transition from school to work.

To avoid the accumulation of individual disadvantages that require costly interventions at a later stage, it is essential to have a lifelong perspective. Workers need continuous opportunities to develop, maintain and improve their skills through learning and training at all ages. Likewise, labor conditions must be adapted to the needs of workers throughout their lives.

Dealing with the rapid transformation of economies due to technological advancement, globalization, and demographic change requires dynamism from product and labor markets. Supporting workers to move from declining companies, industries, and regions to those with the greatest growth prospects must go hand in hand with appropriate policy making.

Workers need to have the appropriate skills in a context where the demand for skills is likely to evolve rapidly and people may continue working at older ages. The challenge is to design innovative tools that link education and training to individuals rather than jobs.

On the other hand, workers still need protection against labor market risks in a world where flexible forms of work may increase. This includes ensuring that everyone has access to social protection and is covered by basic labor regulations, regardless of the type of contract or employment involved.

Costa Rica has one of the highest employer labor burdens compared to OECD member countries. Reducing these expenses would require generating government resources in the order of 2 percentage points of GDP to be able to assume this commitment without leaving the most disadvantaged households in the country unprotected.

Likewise, providing explicit legal security to independent workers is a historical debt that the country maintains, and with nearly half of its workforce operating in this category, it requires an effort that allows for strengthening possible labor guarantees for this group of workers.

Other countries have flexible labor markets, but few invest in the necessary resources to support incomes and provide assistance for the rehiring of the unemployed, so that they can return to work. Increasing flexibility for companies must be accompanied by greater social protection, job intermediation programs, job search assistance, and mechanisms to strengthen worker representation.

In addition, beyond basic regulations, protection can be provided to all working people, regardless of how they interact with the labor market, as part of a comprehensive approach to social protection and labor institutions. This approach offers additional protection to workers who are effectively excluded (often the most vulnerable).

In other words, it is necessary to combine policies that encourage economic growth with public policies and constructive social dialogue that protect workers, promote inclusion, and allow workers and companies to make the most of the continuous challenges and opportunities. It is essential to have a comprehensive government approach, incorporating the new OECD Employment Strategy in the organization's Inclusive Growth Initiative and establishing the appropriate links with other OECD strategies.

Finally, the Costa Rican educational system must shield itself from the short-term ideas and proposals of the administrations on duty. Limiting the budget of this sector will have great negative consequences in the future, and conditions the growth possibilities of the people and the country.

Basic statistics of Costa Rica, 2021¹

Numbers in parentheses refer to the OECD average²

LAND, PEOPLE AND ELECTORAL CYCLE				
Population (million)	5.2		Population density per km ²	100.9 (38.7)
Under 15 (%)	20.5	(17.4)	Life expectancy at birth (years, 2020)	79.3 (79.0)
Over 65 (%)	10.5	(17.7)	Men (2020)	76.8 (76.2)
International migrant stock (% of population, 2019)	8.3	(13.2)	Women (2020)	81.9 (82.0)
Latest 5-year average growth (%)	0.8	(0.5)	Latest general election	Feb. 2022
ECONOMY				
Gross domestic product (GDP)			Value added shares (%)	
In current prices (billion USD)	64.6		Agriculture, forestry and fishing	4.8 (2.6)
In current prices (billion CRC)	40 112.9		Industry including construction	22.4 (26.6)
Latest 5-year average real growth (%)	2.5	(1.6)	Services	72.8 (70.8)
Per capita (thousand USD PPP)	22.7	(50.8)		
GENERAL GOVERNMENT Per cent of GDP				
Expenditure (2020)	32.5	(46.4)	Gross financial debt	68.2 (111.9)
Revenue (2020)	24.7	(38.7)		
EXTERNAL ACCOUNTS				
Exchange rate (CRC per USD)	621.23		Main exports (% of total merchandise exports)	
PPP exchange rate (USA = 1)	342.39		Food and live animals	36.8
In per cent of GDP			Miscellaneous manufactured articles	34.2
Exports of goods and services	36.8	(29.8)	Manufactured goods	9.7
Imports of goods and services	35.1	(29.9)	Main imports (% of total merchandise imports)	
Current account balance	-2.4	(0.2)	Machinery and transport equipment	23.7
Net international investment position	-60.7		Chemicals and related products, n.e.s.	19.3
			Manufactured goods	19.1
LABOUR MARKET, SKILLS AND INNOVATION				
Employment rate (aged 15 and over, %)	52.4	(56.2)	Unemployment rate, Labour Force Survey (aged 15 and over, %)	16.4 (6.1)
Men	62.7	(64.1)	Youth (aged 15-24, %)	39.4 (12.8)
Women	38.0	(48.7)	Long-term unemployed (1 year and over, %)	3.4 (2.0)
Participation rate (aged 15 and over, %)	60.3	(60.3)	Tertiary educational attainment (aged 25-64, %, 2020)	24.6 (39.9)
Average hours worked per year	2,073	(1,716)	Gross domestic expenditure on R&D (% of GDP, 2018, OECD: 2020)	0.4 (3.0)
ENVIRONMENT				
Total primary energy supply per capita (toe)	1.0	(3.8)	CO ₂ emissions from fuel combustion per capita (tonnes)	1.4 (7.9)
Renewables (%)	51.5	(11.6)	Water abstractions per capita (1 000 m ³ , 2020)	0.6
Exposure to air pollution (more than 10 µg/m ³ of PM 2.5, % of population, 2019)	99.9	(61.7)	Municipal waste per capita (tonnes, 2020)	0.3 (0.5)
SOCIETY				
Income inequality (Gini coefficient, OECD: latest available)	0.487	(0.315)	Education outcomes (PISA score, 2018)	
Relative poverty rate (% , OECD: 2018)	20.3	(11.7)	Reading	426 (485)
Median disposable household income (thousand USD PPP, 2020, OECD: 2018)	8.1	(25.5)	Mathematics	402 (487)
Public and private spending (% of GDP)			Science	416 (487)
Health care (2020)	7.9	(9.7)	Share of women in parliament (%)	45.6 (32.4)
Pensions (2018, OECD: 2017)	3.6	(8.6)		
Education (% of GNI, 2020)	7.1	(4.4)		

¹ The year is indicated in parenthesis if it deviates from the year in the main title of this table.

² Where the OECD aggregate is not provided in the source database, a simple OECD average of latest available data is calculated where data exist for at least 80% of member countries.

Source: Calculations based on data extracted from databases of the following organisations: OECD, International Energy Agency, International Labour Organisation, International Monetary Fund, United Nations, World Bank.