

EMPLOYMENT PROBLEMS IN COSTA RICA:  
INDIVIDUAL AND HOUSEHOLD EFFECTS AND RESPONSES.

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## ABSTRACT.

The aim of this study is to explore the living conditions and responses of individuals and their households with employment problems in Costa Rica. The study, based on a survey of households, addresses questions regarding both the effects which individuals associate with employment problems and the mechanisms which they and their households adopt to offset these effects, in the absence of an income maintenance programme.

With respect to the effects of employment problems, one-third of the respondents linked changes in their health, family life and education to their employment situation. They referred to ill-health, limited access to health services, disruption of family life, academic failure and school leaving as the major effects related to their employment problems.

The majority of individuals and their households resorted to social support and the use of alternative sources of work and income such as informal sector and home production, to counteract the impact resulting from their employment problems. Additionally, most unemployed people searched intensively for jobs while participating in the informal sector. Moreover, public assistance programmes did not play a major role as a mechanism for survival because few respondents knew about them and even fewer were beneficiaries of these programmes.

The thesis concludes with policy proposals derived from the

findings of the survey. The objectives of these proposals are, in the short-term, to mitigate the impact of employment problems and, in the long-term, to generate more employment opportunities. In addition, based on the lessons drawn from the present study, several recommendations are made for future research on the effects of, and responses to, employment problems.

I dedicate this thesis to my parents Israel and Reina who taught me not to be indifferent to human suffering; to my dear wife Karin who has been a constant source of inspiration and support; and to my son Oliver whose arrival into our family in the last stage of my studies, gave me the last push to complete this thesis.

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## CHAPTER I.

### INTRODUCTION.

The economic recession which Costa Rica experienced in the early 1980s resulted in an increase in the level of underutilization of labour despite the subsequent efforts made by governments to stabilize the economy and to mitigate the social costs involved in the process. The rise in the number of people with employment problems has produced a bleak picture of deprivation as shown by the fact that during this period there was also a dramatic fall in standards of living and an increase in the number of households under the poverty level.

The decision to focus this study on the plight of individuals and households affected by employment problems is based on the fact that, through this analysis, it will be possible to understand how people survive in a country like Costa Rica where the coverage of public assistance is minimal. Moreover, due to the paramount importance of paid work as a main source of income, the study of employment problems transcends the realms of work and touches the fundamental problems of development and poverty.

Nevertheless, the growing problems of employment and the acceleration in the process of impoverishment have not led to civil unrest which poses some interesting questions regarding the measurement of employment problems, its impact and the effective-

ness of the mechanisms for survival which individuals and their households have used to counteract the hardship resulting from employment problems.

The source which the government uses to obtain information on employment issues is the General Household Survey (GHS) which takes place every four months. Employment problems are measured by the rate of underutilization of labour; this is estimated by adding the rates of unemployment and "equivalent" unemployment. The latter is calculated in terms of the equivalent loss of hours of work of people who are underemployed. Therefore, official statistics do not give us an idea of the magnitude of the problem of employment in terms of the number of people who are directly or indirectly affected.

There are other limitations with official statistics which underestimate the magnitude of employment problems. The definition of underemployment in terms of number of hours worked per week (visible) and levels of earnings (invisible); this excludes people who participate either in the informal sector or in home production. Second, people who are inactive but wish to work are omitted from the statistics. Additionally, official statistics do not provide any information on the circumstances of individuals facing employment problems and their households. Thus, although the statistics are useful for the analysis of the costs which the underutilization of labour has for the economy as a whole, they fail to provide information on the personal costs of employment problems.

The aims of this study are to analyze the effects which people associate with the occurrence of employment problems and to explore the ways in which individuals and their households survive in the absence of an income maintenance programme.

In view of the inadequacy of official statistics for the purposes of this investigation, the analysis is based on a sample survey of individuals and households with employment problems; this includes open-ended questions on the perceived effects of and the responses of individuals and households to employment problems. Furthermore, the concept of employment problems is expanded to incorporate other forms of underemployment as well as the cases of individuals who are inactive but wish to work.

Concerning the impact of employment problems, a qualitative analysis is carried out to describe the effects which respondents relate to employment problems. Unlike natural sciences where it is possible to isolate events, with social sciences it is not possible to do so because for instance, other social phenomena than employment problems might have an impact on health or vice versa. Therefore, rather than trying to assess the direction of causality between employment problems and other social phenomena, this investigation focuses on the description of the effects on health, family life and education which respondents linked to employment problems.

Despite the subjective character of the analysis, the social aspects chosen for the study of perceived effects elucidate the deprivation which households with employment problems face. Additionally, the review of these repercussions complements the study

of the mechanisms which individuals and their households use to offset the hardship caused by employment problems as differences in responses might be partially explained by the severity of the impact which employment contingencies inflict on individuals and their households.

Regarding the responses of individuals and their households to employment problems, the objective of this investigation is to understand the way in which those facing hardship manage to cope with it in the absence of an income maintenance programme. Due to the fact that the responses of individuals are determined by factors which differ among them - such as structure of household, social and economic resources, skills, education and so on - qualitative and quantitative methods are used for the analysis. Thus, the discussion of this subject is based on the answers of individuals directly affected and other members of their households to open-ended questions on the activities which they undertake to alleviate the impact caused by employment problems. Moreover, an attempt is made to assess people's awareness and use of existing public assistance programmes to find out the extent to which government actions form part of the strategies for survival which individuals and their households utilize to offset the impact of employment problems.

Because of the nature of the relationship between employment problems and social phenomena as well as the peculiarity of the responses to employment problems, this investigation has a tentative character and therefore must be seen as a first attempt for Costa Rica to explore both the impact of employment problems and the strategies for survival which individuals and households adopt

to counteract this impact. Moreover, it is hoped through this research to draw attention to some questions which social scientists and policy-makers should investigate before policies aimed to assist people with employment problems can be elaborated and implemented. For instance, the extent to which employment problems have an impact on the well-being of members of a household and the extent to which the use of mechanisms such as social support or alternative sources of work and income (eg, the urban informal sector and home production) help individuals and their households to offset the hardship resulting from employment problems are investigated.

#### The structure of the thesis.

For the purpose of this investigation, the thesis is divided into three parts. Part I presents with a review of the literature on effects of and responses to unemployment. The review, in chapter II, is based on a critical analysis of the body of research which has been carried out on the subject since the 1930s in developed and developing countries. The discussion of the research on effects of unemployment centres on social aspects such as health, family life, and education as well as the impact of unemployment on the well-being of individuals. Regarding the responses to unemployment, the discussion focuses on non-governmental mechanisms due to the differences which exist between developed and developing countries, particularly in terms of the provision of income maintenance for people affected by unemployment.

Part II presents the results of the study on the perceived effects and responses to employment problems in Costa Rica. The analysis of the case study is comprised in five chapters whose content is as followed:

Chapter III provides background information on the economic, employment and social changes which had taken place in Costa Rica between the establishment of the Second Republic in 1948 and 1985. The analysis is divided into four sections, each of which refers to specific periods in the modern history of the country. The first section looks at changes which took place during the first fifteen years of the Second Republic; the second section covers the period of industrialization and consolidation of the welfare state (1963-1979); the third focuses on the years of the crisis (1980-1982) while the last section deals with the process of economic stabilization and social compensation (1982-1985).

Chapter IV is devoted to the discussion of the methodology of the study; the general and specific objectives of the investigation are presented alongside the description of the data sources which were utilized, the design of the study, the fieldwork, the coding process, and the definition of concepts used for the research.

Chapter V seeks to examine the personal and household circumstances of individuals with employment problems. For that purpose, the chapter contains two sections; the first looks at the personal and household characteristics of those with employment problems while in the second section their characteristics are



compared with those of individuals who are fully employed. The objective of this comparison is to find out the extent to which personal differences are related to differences in employment circumstances.

The last two chapters of Part II attempt to examine the effects that people associate with employment problems as well as their responses to offset the hardship resulting from their employment situation. Chapter VI focuses on the qualitative analysis of the repercussions which interviewees linked to the occurrence of employment problems. Regarding these social aspects, the chapter looks at changes in health, family life, and education which are perceived to be product of employment problems as well as the issues of access and use of health facilities during periods of hardship, the dynamic of changes in family life, and the reassessment of education priorities.

Chapter VII explores the question of how individuals and their households manage to offset the repercussions attached to employment problems, in the absence of an income maintenance programme. The chapter contains five sections; the first four examine the different mechanisms which individuals and their households adopt during periods of employment problems while in the fifth some cases are reviewed at length to elucidate the combined responses of individuals and their households to employment problems. The mechanisms being discussed in this chapter are social support, the use of alternative sources of work and income (ie, the participation on the urban informal sector and in home production), the process of job search, and public assistance programmes.

Finally, Part III is devoted to the analysis of the implications of the findings of the study for policy purposes. It comprises the last chapter of the thesis (Chapter VIII) where alongside the discussion of several policy proposals, some recommendations are made for future research.

**PART I**

**LITERATURE REVIEW**

## CHAPTER II.

### THE EFFECTS OF, AND RESPONSES TO, UNEMPLOYMENT:

#### A REVIEW OF THE LITERATURE.

In the last decade, unemployment has been a major economic and social problem in both developed and developing countries. The increase in the number of people affected by it has produced a bleak picture of deprivation, lost opportunity and poverty. The aim of this chapter is, firstly, to look at the effects which unemployment has caused on individuals and their families (or households) and, secondly, to review the ways in which they have reacted to it. The discussion of the effects and responses of individuals and their households to unemployment will be based on a review of several investigations which have been carried out in developed and developing countries. Because the characteristics of countries differ, a distinction will be made when necessary between the experiences of unemployed individuals in developed as opposed to developing countries. However, the following discussion of the effects of unemployment will be necessarily biased towards effects in developed countries, for only a very few such studies have been conducted in developing countries.

To make it possible for us to understand the severity of the impact of unemployment on individuals and their households, the examination will focus on the social effects of unemployment. This approach is adopted because an analysis of the effects of

unemployment in areas such as health, family life and education should reveal the deprivation and hardship afflicting households, and not only individuals directly affected. Additionally, an examination of these effects should facilitate an understanding of the ways in which people respond to the contingency of unemployment. For example, it might be expected that those individuals who are more directly affected by unemployment would search for jobs more intensively and/or join the informal sector more readily than those individuals who are not so affected.

Once the impact of unemployment has been reviewed, the responses given by individuals and their households to unemployment will be examined in Part 2 of this chapter. This review is intended to disclose the manner in which those affected have managed to cope with the financial and social hardships caused by unemployment. The discussion will focus on non-governmental activities such as social support, the informal sector, home production, crime and job search activities.

#### PART 1. Effects of Unemployment.

Unemployment is generally associated with poverty and deprivation, particularly in developing countries, since only a few such countries have established income maintenance programmes for unemployed people and their families (IDB, 1987; Lipton, 1983). However, even in developed countries, where unemployment insurance is a feature of social security policies, research has shown that despite these benefits, recipients still face financial hardship (Sinfield, 1981; Townsend, 1979).

The present discussion will centre not on poverty itself but on some of the social effects which are commonly associated with unemployment. The reasons for that are twofold: firstly, it is extremely difficult to quantify the financial hardship faced by households affected by unemployment problems; secondly, the concept of poverty has different meanings when applied to developed and developing countries. Nevertheless, the discussion of the impact of unemployment on social aspects such as health, family life, and education will inevitably highlight the impoverishment and deprivation faced by unemployed individuals and their households.

Since the 1930's, researchers have been trying to ascertain the causal relationship that exists between unemployment and other social phenomena. For that purpose, several analytical tools such as cross-sectional and multi-purpose surveys (favoured by sociologists), longitudinal studies, time-series analyses (favoured by economists), and prospective studies, have been used. However, due to the complexity of the subject and the methodological limitations which these studies contain, researchers have not been able to identify the direction of causality between unemployment and other social phenomena.

Bearing in mind the methodological limitations of most research studies on the impact of unemployment, the present review focus not only on their findings, but also on the shortcomings of the different methods used. The objective of the latter is to draw lessons for the present study.

The examination of the literature on the effects of unemployment is divided into four sections; in the first, the individual impact of unemployment will be reviewed and emphasis will be put on the importance of work for the individual and the effects which the loss of a job might have on him or her. The second section will look at the impact of unemployment on the health of jobless individuals and their households; the third section will deal with the impact of unemployment on family life; and in the fourth section, the effects of unemployment on education will be reviewed. The discussion in sections two, three, and four will centre on the household, but it will also complement the review of the impact of unemployment on the individual.

#### 1.1 The Individual Impact of Unemployment.

The individual impact of unemployment varies according to the different personal characteristics of unemployed workers. Far from being a homogeneous group, differences in age, sex, household structure and skills among the unemployed do not allow generalizations to be made about the severity of the impact caused by unemployment.

Some of the factors which determine the impact of job loss are the importance of work for the unemployed, their job attachment, their financial situation, the manner in which they became unemployed, family pressure to get a job, household commitments and the state of the labour market. Each of these factors - in conjunction with the personal characteristics of those unemployed - affect their well-being.

There is not a unique definition for work; its meaning varies among cultures and, within each society, among individuals. However, in western capitalist countries, work is generally seen as labour in exchange for material rewards. It is under this employment framework that most investigations on unemployment have taken place; therefore, the discussion of the effects of unemployment will be based on this restricted definition of work, as the bulk of the research on the subject is based on the experiences of unemployment in developed countries. Nevertheless, in the second part of this chapter the concept of work will be expanded to incorporate into the analysis other forms of work which are available to unemployed people.

#### 1.1.A. Work: its social significance.

The meaning of work, its functions and levels of attachment are, among others, important elements which determine the individual impact of unemployment. A common belief is that the greater the significance of work in economic and personal terms, and the higher the attachment to a job, the greater are the consequences of losing that job. Before this is discussed, the main functions of work for individuals are reviewed here. This is done in order to identify the attributes which are missing when an individual loses his job.

#### Main functions of work.

Notwithstanding the fact that there are many attributes associated with work, only the major ones are discussed here; these are (1) source of income, (2) source of identity, (3) social in-



teraction, (4) the structuring of time, and (5) source of creativity and control. A brief discussion of these attributes will facilitate the identification of the negative effects which unemployment might have on the well-being of jobless individuals.

(i) Source of income:

The general view that man's behaviour towards work is dictated by his economic rationale, ie, the material maximisation of his efforts, has been examined by several researchers, in particular since the pioneering research of Morse and Weiss (1955). They tested in 1953 the hypothesis that once the material needs of a person are satisfied, this person would not continue to work. Morse and Weiss asked working men in the United States if they would cease working after inheriting enough money to live comfortably; 90 per cent of those interviewed between the age of 21 and 34 said they would not.

Another study which was carried out by Brown (1954), looked at what happened to those working in a London factory who earned large amounts of money from the football pools; he found that after a period of leisure all of them returned to work.

Unlike studies such as those mentioned above which underline other non-financial functions of work, Fagin and Little's results from their study of families in areas of high unemployment in Great Britain (1984: 38) highlights the importance of work as a source of regular income; they found that:

"men were prepared to put themselves in the hands of their employers during working hours as long as the income received provided them independence and free choice regarding their leisure and future outside the workplace".

Work was seen not only as a major source of income but also as a source of control over their lives outside the workplace.

Thus, the general belief that work's major function is as a source of income cannot be fully supported with the available evidence which is based, in many cases, on subjective answers to hypothetical situations. However, its importance cannot be denied.

(ii) Source of identity.

Work is widely used as a source of identity, especially when kinship ties and the extended family are weak institutions. The type of work an individual performs has become a sign of status, class and influence. Moreover, the occupation of the head also affects the status of the household. In many households, the head is the only worker in paid work outside the home; therefore, the worker is the link between the social environment of work and home (Dyer, 1956).

Society tends to create stereotypes of individuals based on the type of jobs which they have. In addition, people adopt a work-identity which they use as a vehicle for social interaction. When individuals state their occupational activity, in fact what they are doing is expressing personal characteristics which are attached to that occupation by society.

Having discussed the significance of work as a source of identity for individuals, it is important to consider ways in which stereotype images of different occupations may affect the development of work-identity for those looking for their first job. The work-identity, which is developed from an early stage in our lives

is affected by influences such as the family and its social status, the socially perceived attributes of occupations, the school experience, and the circumstances which might influence the selection of an individual's first job.

The work-identity of the family of a first-time job seeker puts pressure on him to at least maintain the social status conferred on his family by the employment of its head. The social status of an individual is another important factor which affects his job choice and consequently his work-identity. For example, according to Elder (1968), the number of job opportunities available to middle-class school-leavers is bigger than those for working class individuals; therefore, the former are more likely to find jobs which are more suited to their personalities and which will maintain or improve their family status.

The stereotype image of different occupations also influences the expectations of first time job seekers and, consequently, the development of their work-identity. Apart from the attraction which jobs may have for individuals, the assessment of their own skills is another element which determines the type of job they aim for. Nevertheless, adolescents are usually attracted to occupations for which they consider they have enough qualifications and which seem to be compatible with their self-image, which often proves not to be the case (Erickson, 1956).

Last but not least, the school experiences and skills of individuals may also affect their work-identity; to the extent that the differences among people in terms of skills reflect differences in educational opportunities brought about by differences

in social status, it may be argued that a vicious circle exists which does not enable people from unskilled working-class families to develop a strong and different work-identity.

(iii) Social interaction.

Work provides an opportunity for social interaction outside the family environment which consequently affects family-life as it broadens the sphere of interpersonal relations. For many jobless people, "the contact with workmates" is one of the things they miss most. This has been supported by several studies such as that of Morse and Weiss (1955); they found that 31 per cent of the individuals from a sample of 400 working people in United States indicated that if they lose their jobs they will miss their contacts with people at work.

Another important study is that of Seglow (1970) who looked at the reactions of two groups of workers after the closure of a cable factory. He distinguished between the nature of the tasks performed by the two group of workers and concluded that only those whose working responsibilities were based on teamwork and had a permanent contact with their workmates kept in touch with them after the closure of the plant. Seglow's findings indicate that work is for some an important source of interpersonal relationships outside the family environment. In addition, this study shows that there are differences in depth of working relationships, which might be determined by the personal characteristics of individuals and the nature of their work.

(iv) Structuring of time.

Work allows people to structure their time. Through the establishment of working schedules, work determines sleeping habits, differences between working days and weekends, and holidays. It also helps people to plan their future careers.

Jahoda (1979) in her study of an Austrian village during the Great Depression, found that the unemployed lost their sense of time. When people were asked about the activities which they did during the day they were unable to describe them. Real time entered their descriptions at the biologically incisive points, getting up, eating, going to bed; but the rest was vague and nebulous. Activities which should take anyone just a fraction of an hour to do, were mentioned as an activity which filled the whole morning. Even when newspapers were given free of charge they did not bother to read them; thus Jahoda concluded that, in reality, unemployed people were missing the time and goal structures provided by their previous work.

More recently, Fagin and Little (1984) compared the way in which people in and out of work used their time; they define three time sections: (a) time spent in bed or sleeping; (b) time spent in structured activities such as preparation and travel to work, time at workplace, meals, housework and so on; and (c) time spent in an unstructured way which included leisure activities such as watching television and reading. They found that the ration of unstructured to structured time during unemployment increased twenty-fold for the average male breadwinner and that they spent more time in bed even if their sleep was more restless.

Last but not least, Kasl et al. (1975) carried out a longitudinal study on the effects of job loss on semi-skilled blue-collar workers and found that unemployed workers who kept physically active and busy using their skills and doing interesting things were less dissatisfied than the rest of the unemployed workers ; therefore, work provides people with the opportunity to structure their time and even for the unemployed, domestic work or constructive hobbies which require the use of their skills ameliorates the psychological impact of unemployment.

(v) Source of creativity and control.

Work may be a meaningful activity which enables the individual to create something new or to control part of his environment. However, not every job provides an individual with the opportunity to satisfy his needs for creativity and control over his work; for example, an exception could be the work based on the process of automation and the application of scientific management which might limit the opportunities for creativity and job control.

The pioneering work of Hendrick (1943) who postulated a thesis called "the work principle" enables the understanding of the importance of work as a source of creativity and control. He argued that the pleasure a person obtains from work is a function of the gratification of the instinct to control, or alter the environment.

Another important contribution is that of Neff (1968) who suggested that people try to satisfy the need to be creative through their work. According to him, creating may take several forms, it can be innovative, ingenious or may imply the rearrangement of ex-

isting elements in novel ways. Furthermore, Fagin and Little (1984) found that those people who developed specific skills over a year were proud of them and believed that they could rely on these skills when looking for new jobs. In reality, personal characteristics as well as the transferability of skills, the state of the labour market and employers' preferences will determine their probabilities of getting a job.

#### 1.1.B. The loss of a job.

The loss of a job might be interpreted as the loss of the attributes which are associated with work. As Freud (1930) said... "work is man's strongest tie to reality; no other technique for the conduct of life attaches the individual so firmly to reality as laying emphasis on work". The detachment from reality is reinforced by the loss of income, status and self-esteem caused by unemployment, as well as the resulting social isolation.

Before the differences in the impact of unemployment on individuals and the factors which explain these differences are discussed, it is important to look at the psychological phases which some people are likely to experience once they lose their job. This is important for the understanding of the responses of people to unemployment; for example, differences regarding intensity of job search, overtime, and the likelihood or not of individuals participating in the informal sector.

### 1.1.C. Psychological phases of unemployment.

Several studies have centred their attention on the identification of psychological phases which arise from an individual's experience of unemployment. The pioneering research of Einsberg and Lazarsfeld (1938:378) produced a general theory which has frequently been used as a theoretical framework in subsequent analyses. According to them...

" first, there is shock which is followed by an active hunt for a job, during which the individual is still optimistic and unresigned; he still maintains an unbroken attitude. Second, when all efforts fail, the individual becomes pessimistic, anxious and suffers active distress; this is the most crucial state of all. And, third, the individual becomes fatalistic and adapts himself to his new state with narrower scope."

The first phase is one of disbelief and shock; initially there is a sense of disorientation and confusion, in particular for people who involuntarily became unemployed and for those experiencing unemployment for the first time. Afterwards, people tend to look for jobs, they are optimistic and assume that they will find a job promptly; they see unemployment as an accident, but the longer their unemployment lasts, their optimism transforms into anxiety, distress and pessimism.

The second phase implies that once an individual realizes that the probabilities of obtaining a job are diminishing and his job search activities - although improving his knowledge of the labour market - have not proved to be successful; then, the lengthening of his/her unemployment causes anxiety, distress and pessimism.



Finally, as the duration of unemployment increases, the individual's pessimism is transformed into fatalism; the person ends up considering himself as a "social failure" and slowly adopts the unemployment identity with the consequent changes in personality, status, standard of living and social relations. The individual accepts his "fate" and unemployment becomes institutionalized; the outcome of this being the adaptation of the person and his family to the new situation.

More recent studies (Harrison, 1976; Hill, 1977; Parkes, 1971; and Hopson and Adams, 1976) were based on stage-wise descriptions; thus, these studies present the problem that they are based on models of linear progression of reactions while in reality these reactions might be cyclical (ie, progressions and reactions).

These studies may, however, provide a useful framework for the analysis of people's reactions to the loss of jobs; this is so as long as variables which affect people's responses such as job history, previous spells of unemployment, duration of unemployment, family circumstances, level and structure of demand for labour, income and future job expectations are incorporated into the analysis of the responses of individuals to unemployment.

#### 1.1.D. Type of individual impact of unemployment.

In general, the individual impact of unemployment tend to be negative, in particular if unemployment challenges the identity of an individual, affects the availability of goods and services,

limits the personal relations outside the house, restrains the acquisition of further skills and gives no opportunity to be creative.

However, there are exceptions since for some jobless people unemployment does not affect their identity or inflict upon them other negative effects which are commonly linked to the loss of a job. On the contrary, these individuals consider unemployment to have a positive effect. These exceptions are reviewed at the end of this section.

#### Negative impact of unemployment.

The loss of a job is a traumatic experience as it produces loss of self-esteem, work-identity, and dignity; moreover, the longer the duration of unemployment, the greater the deterioration of the esteem which members of a family hold for their head.

In a study carried out by Hayes and Nutman (1981), unemployed men and women in the Leeds-Bradford area expressed a feeling of deprivation caused by unemployment ...

"they missed the feeling of being one of a team, of having people outside the family and neighbourhood to talk to, the politics and the intrigue of the workplace, and the gossip about people and events. They also missed the need to make decisions and the feeling of having to meet targets or quotas".

Hayes and Nutman's findings reflect the importance which work had for these individuals.

Fagin and Little (1984) looked in England at the impact of unemployment on self-esteem defined as the degree of appreciation and valuation that people have about their self-images. Their findings show that the failure of unemployed people to obtain a job affected their self-esteem and eroded their self-confidence; thus they became socially isolated which made job search even more difficult. Thus, unemployment not only had a negative effect on the well-being of these people but also affected the duration of their unemployment and, consequently, further increased the negative impact which unemployment had on them.

Several factors determine the impact of job loss; among others, level of unemployment, duration of unemployment, demand for labour, degree of job attachment, and the social and economic resources which unemployed individuals command (Harrison, 1976; Seglow, 1970; Maclean, 1974; and Hakim, 1982).

The level of unemployment affects the public perception of this contingency. Therefore, the higher the rate of unemployment, the lower the stigma associated with unemployment; this, in due course, diminishes the strain and tension caused by job loss. Furthermore, the more widespread the unemployment rate is among an individual's reference group, the lower is the individual stigma attached to unemployment (Seglow, 1970).

Harrison (1970) found that the duration of unemployment is another important factor which affects the well-being of individuals and their families. Moreover, he concluded that notwithstanding the different social and economic circumstances and the personal characteristics of unemployed people, the longer the

period of unemployment, the more likely is an individual to follow the psychological phases of job loss and consequently be confronted with personal dilemmas about his identity and value to society.

The demand for labour also affects the individual impact of unemployment. In addition to the personal attributes of an individual, the level of demand for labour is likely to have an impact on an individual's reaction to job loss. For example, a skilled, experienced worker may have a greater chance of obtaining a job than an unskilled worker with limited job experience, thus, the impact of unemployment on the well-being of the former will be more severe than that of an unskilled worker (Sinfield, 1981).

The degree of job attachment also determines the severity of the individual impact of unemployment. The meaning of work and the satisfaction that arose from the last job explain the different degrees of job attachment which exist among individuals. The impact of job loss will be more acute for those who give a greater significance to work, in particular as a source of identity and sense of purpose (Hayes and Nutman, 1981).

Maclean (1974) in a paper on the welfare dependency of working and non-working people argues that work for some people produces feelings of anxiety and provides no satisfaction due to long hours of work, bad employment conditions, meagre opportunities for promotion, and low financial rewards. Consequently, the impact of the loss of a job is less severe for those people than for those who derive great satisfaction from work and have a strong occupational identity. Hakim (1982) in her discussion on the social con-

sequences of high unemployment provides examples of people whose job attachment is remarkable and for whom job loss is likely to cause severe psychological effects; for example, the impact would be greater for men than for women, older men than younger ones, married men than single ones, and for non-married women than married ones.

Last but not least, the social and economic resources which a person has also determine the severity of the impact of unemployment. The levels of welfare and unemployment benefits, savings, redundancy payment, family support and help from friends are likely to have different effects on an individual's well-being. Little (1976) found that it was the financially well-off who tended to see loss of work in more positive terms, but as Hayes and Nutman (1981) argued, jobless people's perception of their unemployment is bound to change the longer the duration of their unemployment is; the reasons for this being that resources diminish overtime and that work also has non-financial attributes.

#### Groups with atypical responses to unemployment.

For some people the impact of unemployment on their well-being could be less severe than for others. An example of this is that of school-leavers who despite the fact that they have not worked before, have job expectations and have established a self-image associated to the type of job which they fancy doing; thus, the failure to find that job will lead them to change their initial assumptions about their future. At the end of the day, their capacity to modify their expectations will determine the severity of the impact which unemployment will have on them (Casson, 1979).

Finally, another group for whom the impact of unemployment may be less severe is that of people who feel that their unemployment is a "legitimate" one, ie, caused by circumstances beyond their control. Groups which might perceive their unemployment as legitimate are disabled people, single parent families, those responsible for looking after dependent people and old workers who are made redundant (Braithwaite, 1983; Farias, 1977).

### 1.2 Health.

The causal relationship between unemployment and poor health has been widely investigated, in particular in the last 20 years. Many studies (A. Colledge, 1981; Scott-Samuel, 1977; Brenan, 1978; Fernan and Gardus, 1979; Brenner, 1979; Fyer et al., 1979; Dosly and Catalano, 1980; and D.G Cook et al., 1982) have suggested the existence of a causal link between unemployment and poor health. However, the direction of causality and the strength of the links between both phenomena are still subjects for discussion.

The hypothetical case of a jobless individual facing health problems might illustrate how difficult it is to disentangle the direction of casuality between unemployment and poor health. The loss of a job causes stress which if for the sake of this discussion, it is assumed to have an impact on his health, then it may be said that in this case unemployment had an impact on the health of this individual. However, if it is also assumed that this jobless person - throughout his working life - worked under undesirable conditions which affected his health and consequently

his productivity and the number of working days lost due to illness; then, it might be argued that as long as his low productivity and absenteeism were causes for his dismissal, health had an impact on his employment situation.

The figurative example given shows the difficulties which researchers face when trying to determine the direction of causality between unemployment and health. In addition, the different analytical techniques which are available present several limitations which make it difficult to identify the causal relationship between unemployment and health. These limitations include: the use of questionnaires, which might encourage subjective answers without any medical history to validate these answers; time rigidity which fails to account for any time lag between the occurrence of both phenomena; and the use of aggregate data which does not permit differentiation between health conditions among individuals or households.

Thus, to overcome some of these methodological limitations, it is necessary to study the health experience of working people and those out of work over a long period of time; the comparison of their medical histories will facilitate the study of the impact of unemployment on health over a period of time which should be long enough to allow for time lags between both social phenomena.

To find out more about the complexities of the subject, the relationship between unemployment and health is discussed in the remainder of the section. This will be based on the review of the findings and research methods of studies which have looked at the

relationship between both phenomena; with particular regard to mental health, ill-health (physical), and mortality.

#### 1.2.1. Mental health.

For the majority of people, unemployment generates stress which affects their mental and physical health in different ways. As discussed in the previous section, the loss of a job prevent individuals from enjoying the positive features of work. The impact of this on their mental health will depend on their personal and household circumstances, the duration of unemployment, the adaptability of people to the experience of unemployment (ie, their psychological phases) and the state of the labour market (Miles, 1983; Catalano and Doley, 1979).

It is difficult to know whether mental disorders lead to unemployment or whether unemployment causes mental problems which hamper the possibility of obtaining a job. Unemployment - due to the stress it generates - requires a psychological adjustment which, if not achieved, may cause mental disorders. Moreover, the complexity of the subject is compounded by conceptual problems that one faces when analysing the relationship between mental disorder and unemployment; some of these problems are the definition of different types of mental disorders and the impact of other social and economic factors on the mental-health of unemployed individuals or those employed (Hayes and Nutman, 1981).

Despite these difficulties many studies suggest that there is a link between unemployment and mental health. Some researchers have looked at the characteristics of people admitted to mental



hospitals to find out the extent to which unemployment had an impact on the mental health of these patients. For example, Jaco (1960) analyzed the characteristics of first time psychiatric patients in Texas for the years 1951 and 1952. He found that unemployed patients were more likely to have problems of psychosis (while unemployed people represented 2,1 per cent of the population, their representativeness among the psychotic population was 7,6 per cent).

Fruengard et al. (1983) analyzed the psycho-social characteristics of unemployed people who were admitted to a psychiatric clinic in Denmark. They found that half of the patients were intoxicated with alcohol. However, only 4 per cent of the sample had ever suffered from any mental disorder before they became unemployed. Despite the fact that few of the patients had a psychiatric history, they found that unemployment affected their mental health by accentuating their anxiety and their state of depression.

Catalano and Doley (1979) also found that admission to mental hospitals was associated with several macroeconomic factors of which unemployment is only one. However, stress and mental depression modified the relationship between mental health and macroeconomic changes; therefore, it is not clear from their study the extent to which macroeconomic factors - including unemployment - produced or worsened behavioural disorders among unemployed people.

Another important study is that of H. Brenner (1979), who in his macrostatistical study looked at the rate of mental hospital

admissions in Great Britain over the years 1936-1976 as an indicator of mental diseases and found that unemployment was likely to increase the number of patients with mental disorders; he even calculated that an increase of one million unemployed people over a period of five years will generate 63,900 more admissions to psychiatric hospitals. Nevertheless, Brenner's study did not identify which admissions were unemployed or had any connection with unemployment; additionally, his study failed to identify the impact which other factors might have on the mental health of unemployed people.

Other studies have looked at the mental health and psychological well-being of unemployed people. For example, Banks et al. (1980) compared the mental health of employees, school leavers and unemployed men. They measured mental health using a General Health Questionnaire and found that unemployed men had poorer levels of mental-health.

Furnham (1983) looked at the mental health of five groups according to their employment status. The groups comprised full-time employed people, part-timers, unemployed, retired people and students. He found unemployed people to have the poorest levels of mental health.

Last but not least, the economic situation, and in particular that of the labour market, is an important factor which has an impact on the mental health of unemployed people. For example, Schaffer (1976) found that the possibilities of getting a job and the nature of that job affect the level of psychiatric disorders among unemployed workers; however, for a more complete assessment

of the connection between the labour market and mental health it would be necessary to include, for future studies, the analysis of personal characteristics of unemployed people and to determine the influence which they may have on the possibilities of people obtaining new jobs as well as their job expectations.

### 1.2.2 Ill-health.

Since the 1930's, but in particular in recent years, medical and other professional people have paid attention to the relationship between unemployment and ill-health (ie,physical). Unlike other manifestations of health problems such as mortality or mental health, changes in ill-health are probably easier to identify, though the assessment of its social causes (if any) remains a major challenge for researchers.

In the years of the Great Depression, The Pilgrim Trust (1933) analyzed a sample of 936 long term unemployed people in the UK. The study identified some physical diseases, malnutrition and psychiatric disorders among jobless individuals; these problems increased with the duration of their unemployment. However, the researchers concluded that due to the difficulties in isolating unemployment from other social and economic factors, it was impossible to distinguish the cause-effect relationship between unemployment and ill-health.

Another study which took place in the thirties in Canada was that of Marsh (1938) who compared the health condition of 1,000 unemployed people with that of a similar sized sample of employed individuals. Marsh also carried out medical examinations of the

families of the respondents; he used these examinations to complement and check the answers given to a questionnaire which he used. Marsh's findings indicated the presence of problems of malnourishment, digestion, dental deterioration, tuberculosis, and other diseases among unemployed people and their families.

After the Great Depression, it was not until the early seventies that the subject regained importance for researchers. For example, a survey of 22,000 people was carried out by Heartbeat Wales (Gordon, 1988:70). The findings indicated that long-term unemployed individuals had the greatest incidence of high blood pressure, smoking and alcohol-related problems. Moreover, the report concluded that long-term unemployed people adopted more unhealthy lifestyles.

Another contribution to the study of the link between unemployment and ill-health is that of Hill et al. (1973). They did a survey in the English towns of Hammersmith, Newcastle and Coventry. They took a random sample of approximately 1,100 people who, in the autumn of 1971, were registered at the Employment Exchange offices of the three towns. In addition to the survey, they obtained official records on health and work from the Department of Employment and the Department of Health and Social Security for the preceding three years. The official records helped them to check the responses of the survey, and they repeated the exercise six months later to avoid any unrepresentativeness of long-term unemployed workers.

Hill et al. found that only a few people were unfit to work at the time of the first interview. Of these who were unfit, the

majority of them experienced longer spells of unemployment. Their findings show how difficult the identification of the causal link between unemployment and ill-health is, since it is not clear whether those who were sick at the beginning of the study lost their jobs due to their poor health conditions or, on the contrary, the loss of their jobs caused them stress which subsequently affected their health.

Hill et al. also found a statistically significant relationship between disability and the duration of unemployment; however, there were major differences among the age groups; for example, only a small minority of the under 25 year olds answered that they were disabled, in contrast to those aged over 50 of whom approximately fifty per cent indicated some disability. Apart from the possible explanation that these results account for differences among age groups - both physically and financially - it may be the case that those people whose prospects of getting a job were low, especially if they were unqualified, blamed their situation on ill-health. Hill et al.'s results, like any others from surveys which rely on subjective reports of ill-health not verified with the respective medical histories of the respondents, may be misleading because of people's inclination to exaggerate their answers or identify any link between unemployment and health.

Another important study is the cohort study which the Department of Health and Social Security (DHSS) undertook in Great Britain between 1978 and 1980 (DHSS, 1982). The sample of the study was drawn from the lists of jobless men (2,321) who were registered in 86 Unemployment Benefit Offices throughout England,

Scotland, and Wales. Interviewing took place in three stages; during the first (Oct. 1978) it was found that 12 per cent of the sample spent time out of work due to illness in the year before registration. Moreover, the percentage increased when age and family structure were considered; for example, among those aged 50-59, 24 per cent missed working days and for those married with four or more children, 26 per cent missed working days because of ill-health.

In the year after registration (ie, third stage) only 8 per cent of the respondents had spent time out of work, and like in the year prior to registration, the percentage increased when size of family and age were included. Thus, the results show no real evidence of a deterioration of the health status which can be attributed to unemployment.

The findings of the DHSS study do not provide sufficient evidence to determine the direction of causality between unemployment and ill-health. Moreover, contrary to a common belief, the proportion of people with health problems did not increase during the year after registration, although those who had reported a disability at the first interview were less likely to work in the year of the study.

However, the DHSS cohort study has shortcomings; among others, it does not provide information about the time of occurrence of the disability and the seriousness of possible health problems which may have a major impact on the probability of getting a job for those affected (ie, a permanent disability). Moreover, the lack of a control group and the lack of medical ex-

aminations - the latter to check the health of the respondents over a long period of time in order to find out the extent to which unemployment has an impact on their health or vice versa - does not allow us to assess the causal relationship between unemployment and ill-health.

Other studies using different techniques have made major contributions in this field. For example, macrostatistical studies like those of Brenner (1980) and Colledge (1981) have tried to identify the impact of unemployment on ill-health. However, notwithstanding the value of their contributions, these studies - by concentrating on time-series and area-based analyses - have failed to identify the direction of causality between social and economic factors at the micro-level.

Finally, the prospective study is another technique being used. These studies look at the workers' attitudes during the stages of work, announcement of redundancies and closure and length of unemployment; therefore this technique may -in conjunction with others- be a useful tool in determining not only the connection between unemployment and health but also its causal direction.

The major prospective study which has been done is that of Kasl, Cobb and Gore in the United States (1972); they analyzed the situation of workers in two plants which were going to close; at the same time they established a comparable control group from four working companies. Using multiple regression analysis, they found indications of increased ill-health among a group of people who had been unemployed for 26 month with respect to that of a

control group of employed individuals. Changes in the blood pressure and increases in cholesterol and serum acid occurred during periods of unemployment but returned to normal once they were re-employed.

Another prospective study is that of Jenkins et al. (1982) who examined the effects of the threat of redundancy for journalists on their morbidity. Each journalist was interviewed three times; ie, the first, a month after receiving notice of redundancy; the second, when redundancy notices were revoked and work continued under a new owner; and the third, three months after working without any redundancy threat. Jenkins et al. found that the health condition of journalists had improved by the time of the last interview.

Nevertheless, prospective studies present problems such as the concentration of the effects on health of specific groups in specific industries and areas from which it is impossible to draw generalizations about the whole unemployed population; and the gathering of data - especially before the closure of the plant - which may be difficult to get as redundancies are usually an issue of bargaining between employers and employees.

### 1.2.3. Mortality.

Mortality is the extreme manifestation of the impact of unemployment on health. Although there are other factors which might be responsible for the death of an individual, some studies suggest that - irrespective of the cause of unemployment - jobless individuals have a higher rate of mortality.



For example, the OPCS (1973) longitudinal study which had a sample equivalent to one per cent of the British population in 1971, shows that among people of working age, unemployed individuals with poor health had mortality rates 300 per cent higher than the total average working people while those jobless individuals who were not affected by ill-health had mortality rates which were just 30 per cent higher than average.

An important contribution to the understanding of the impact of unemployment on mortality is that of Brenner (1976). He used a statistical model to look at the relationship between changes in some economic and social indicators over a period of 50 and 130 years in the United States. He included social indicators such as mortality rates, suicides, admission rates to mental hospitals and murders; the economic indicators which he used were employment, income per capita and inflation.

Brenner created a computerised model to account for different time lags between unemployment and deaths. Moreover, he distinguished the duration of time -lags for each possible cause of death and found that, as unemployment increased, so did the mortality rates, especially those caused by cardiovascular diseases and cirrhosis of the liver which are illnesses linked, to some extent, to unemployment. Moreover, Brenner (1980) replicated his study for England and Wales using data from 1936 to 1976 and found that the unemployment rate was the main socio-economic factor significantly associated with the standardized mortality rate.

Another economic factor linked to mortality was the level of employment on chemical industries which indicates the hazardous

nature of these industries. The positive correlation between employment in chemical industries and mortality shows the difficulties which exist in determining the direction of causality between unemployment and mortality. For example, during the first quarter of 1980 in Great Britain, there were 76,776 industrial accidents which produced 131 deaths. Furthermore, assuming that many of these accidents affected the physical and mental capacities of some people and that these effects were not manifested during the first months after the accident (otherwise people would have registered as disabled), in as much as those disabilities reduced the productivity of individuals which led to their sacking, it might be argued that their unemployment was caused by ill-health rather than the other way around.

Despite Brenner's findings, high unemployment in Britain in recent years has not coincided with an increase in the mortality rates, but it has slowed-down their rate of decline. Additionally, his model has been criticized by Gravelle et al.(1981) who do not find Brenner's time-series well-suited to determine the effect of unemployment on mortality rates. They used Brenner's model and found not enough evidence to support the hypothesis that unemployment has an impact on mortality. Moreover, a major problem with Brenner's study is that by isolating unemployment as a cause of mortality, he ignored other inter-related causes of mortality. Furthermore, the use of aggregate data did not permit him to identify the cause-effect relationship between both phenomena.

Apart from the research which has been done on the relationship between unemployment and mortality, much attention has also been paid to the relationship between unemployment and suicides.

Several longitudinal studies have looked at this relationship, (Sainsbury, 1955; Shepherd and Barraclough, 1980; Brenner, 1979; Boor, 1980; and Sathyvathi, 1977) and though they have suggested a relationship between unemployment and suicide, methodological limitations, such as the impossibility of isolating unemployment from other economic and social factors, explain the failure of these studies to determine the extent to which unemployment was the major cause for suicides.

Sainsbury (1955) after a series of studies in United States and Great Britain, found a negative correlation between suicides and poor economic situation; furthermore, he found a rise in the number of suicides during the Great Depression which to some extent was linked to the higher levels of unemployment of the period.

Sainsbury et al. (1979) also carried out a macrostatistical study which covered 18 European countries over two periods 1961-63 and 1972-4. They found a weak correlation between unemployment and suicides; however, they concluded that if the degree of family cohesion were to have been included in the analysis, then unemployment would have had a greater impact on suicides because of its effects on the stability of families.

A study by Sathyvathi (1977) shows the link between unemployment and suicides in Bangalore, India. He looked at 171 cases of people who committed suicide between 1967-73 and concluded that 65 per cent of them took that decision because of their unemployment. However, he recognized that other factors such as their family situation, health and psychiatric disorders might have had an im-

impact on the decision taken by these individuals to terminate their lives.

In another study, Shepherd and Barraclough (1980) found, among 75 cases of suicides, a high proportion of job instabilities, time out of work sick, psychiatric disorders, and high-risk occupations in their sample. The latter shows that other factors, which perhaps had an impact on the unemployment of these individuals, influenced their decision to commit suicide.

Finally, Platt et al. (1984) analyzed unemployment and parasuicide (ie, attempted suicides) figures among jobless people in Edinburgh over the period of 1962-1982. They concluded that unemployment was a cause of parasuicide. Throughout these 20 years, Platt et al. found that the rate of suicides was larger for unemployed people than working individuals. Furthermore, there were differences in terms of the duration of unemployment: for long-term unemployed people, the propensity to injure themselves was four times larger than those who had been unemployed for just one month, and twelve times more than for employed people.

### 1.3. Family Life.

Generally speaking, unemployment has been seen as an individual experience and it is not until recently that the family has been incorporated as an important subject in the analysis of social and economic effects of unemployment. Most of these studies consider unemployment as having a negative impact on family-life; the belief is that unemployment produces stress and anxiety, and

puts pressure on families which in due course creates instability and sometimes leads to family breakdowns.

As already seen in this chapter, unemployment makes it more difficult for individuals to maintain interpersonal relations outside their family; for example, Bakke (1933) argued that unemployment leads individuals to social isolation since they are not able to return compliments and thus have to reject invitations. Moreover, if their workplace is a centre of social interrelation, the loss of a job will affect not only the work identity of an individual but also make it more difficult for him to maintain his social contacts.

The experience of unemployment produces changes in the relationships within the family - particularly if the head is out of work. Once the head becomes unemployed, he tends to spend more time with his family; perhaps at the beginning he is very active searching for jobs, but, there are cases in which the longer the duration of his unemployment the more likely is he to get involved in the running of the house. His participation in domestic activities could give his non-employed wife an opportunity to look for a job. Also, he could spend more time with his children and assist them with their studies.

Alternatively, the unemployment of the head might cause him anxiety and depression; he might react aggressively and that could lead to a deterioration in their family life. Moreover, wives in families where the head is unemployed tend to be more depressed, anxious, and sensitive about their family relationship than wives of employed heads (Liem and Rayman, 1982).

These contrasting outcomes, though being an oversimplification of the reality, indicate the complexity of the subject. Therefore, it is necessary to identify possible changes which might occur within a family and analyze them by looking at factors which are responsible for these changes. For example, regarding the "positive outcome" of unemployment on family life, Trew and Kilpatrick (1984) looked at the situation of 150 unemployed people in Belfast and found that the group of individuals who engaged in domestic work had a better psychological health than similar home-centred men who did not do any domestic work.

Their findings show that though their domestic activities could not fully compensate for the loss of their paid-job, these activities at least helped them to structure their time and provided them with a sense of purpose. Nevertheless, caution is called upon when analysing these findings because household work - despite its attributes - does not allow people to restore their social contacts, to develop a work identity, and to strengthen the status of the family.

In reality, the impact of unemployment on family life is more likely to be negative. The experience of unemployment, especially for the head, produces stress which could affect his psychological well-being as well as his physical well-being. Moreover, the loss of his job reduces the standard of living of his family which could have repercussions on the health, education, and psychological conditions of other members of his family. This results in increases in family conflicts, stress, tension, irritability

(Sinfield, 1971) and a breakdown in the reciprocal obligations - typical of the extended family - in developing countries (Braithwaite, 1977).

These negative effects could cause the disintegration of the family. The failure of members of a family to adapt to changes in their standard of living and status as well as their inability to cope with the stress generated by the unemployment of the breadwinner leads to violence, divorce and family break-ups (Colledge and Bartholomew, 1980:11). Therefore, the propensity to divorce among families is determined by the resources of the family and, more important, the state of the marriage prior to unemployment.

Thornes and Collard (1979) carried out a survey to compare the marital situation of families with and without unemployment problems. They found that marital break-ups were disproportionately concentrated among unskilled manual workers. They concluded that the unemployment of the head of the household was the main contributor to divorce; his unemployment produced stressful events such as financial hardship and housing problems which were more frequent among divorcing couples. Moreover, the duration of unemployment also proved to be an important factor in marital breakdown as the average spell of unemployment among divorcees was twice that of those in stable marriages.

While evidence from most studies suggests that the consequences of unemployment on family life are negative, the relationship between unemployment and family life is far from being straight forward. Notwithstanding the fact that for most families unemployment causes instability which could lead to their

disintegration, for some families unemployment is a source of family unity and solidarity (Bakke, 1933, Farias, 1977).

In a study on unemployment and survival strategies in Chile, Farias (1977) investigated the situation of families whose heads were jobless and concluded that at the beginning of the head's spell of unemployment, families tend to strengthen their internal links; but this trend reverses as the duration of unemployment lengthens and as jobless individuals and their families experience - in different magnitude - the psychological phases associated with the experience of unemployment and increasing economic hardship.

Having discussed some of the effects which unemployment causes on family life, the remaining part of this section is devoted to the review of factors which might explain these effects. First, family life prior to unemployment will affect the impact which unemployment might have on the family. If, for the sake of this discussion, it is assumed that the unemployment of any member of a family results in economic hardship and a reduction in its standard of living, the impact which unemployment will have on the family will depend on its members' resilience and the degree of support which exists within the family.

Therefore, changes which may occur will depend on the significance for the family of any new experience and the manner in which this fits into existing patterns of family behaviour. Fagin and Little (1984) found that for some of the families which they interviewed, changes were minimal and these reinforced existing patterns of behaviour.



Second, the adaptability of spouses to changes in sex roles is another explanatory factor. The possibility of a jobless male head executing domestic duties will be influenced by the degree of rigidity in the demarcation of sex roles within and outside the family. For example, in a society where women are considered to be responsible for the functioning of the house, the male head will not perform any domestic duty as this will challenge his macho-image. Therefore, the negative impact of unemployment will be greater for this type of family than for those with more flexible arrangements regarding domestic activities. Daniel (1981) found that the family life of groups characterized by strong segregated sex roles, such as managerial and professional groups and unskilled manual workers, was more affected by unemployment than that of other groups.

Third, the state of the labour market is another factor linked to the impact of unemployment on family life. For single-earner families, unemployment will cause a major reduction in their standard of living which subsequently may "force" other members of the family to join the labour market. However, in many instances, the level of economic participation of wives of unemployed heads has been very low.

To illustrate this, the Department of Health and Social Security's cohort study (1982) shows that only one-third of wives of unemployed males were in paid employment compared with more than half the wives in general. The lower participation of wives might be explained in terms of high levels of unemployment which limit their job opportunities, the rigidity of sex roles, the number of dependent children and their age, the characteristics and

nature of existing vacancies and the structure of family benefits, as in some countries such as England the income of wives affects the amount of benefits which families are entitled to receive from the State (McKee and Bell, 1986).

In addition to the participation of wives in the labour market, other family members' participation will be determined not only by the situation of the labour market and the hardship caused by unemployment but also by family values, age and skills.

Last but not least, the structure of the family (ie, number of dependent members and their personal characteristics, in particular, age) is another factor which influences the impact of unemployment on family life. The greater the number of dependent people, the higher will be the financial hardship caused by unemployment since the demand for goods and services is greater for larger families. Thus, for large families with only one or two earners, unemployment will cause a lot of hardship and tension. Nevertheless, as will be seen in the second part of this chapter, large families may be assets as they can pool together the skills and labour of their members and perform different informal activities which might generate income and, thus, offset the negative impact caused by unemployment on their family life (Lomnitz, 1979).

#### 1.4. Impact on Education.

Having looked at some effects on family life caused by unemployment, this section reviews the impact which unemployment might have on an issue associated with family life, that is, the education of children and adolescents. The economic hardship, as well as the tension and subsequent disruption of family life caused by unemployment, is bound to affect the education of its members. Moreover, the educational problems that children and adolescents may face will have a short-term effect on their schooling attainment and most probably, a long-term effect on their working careers.

Regarding the problems which unemployment inflicts on the educational attainment of children and adolescents, a plausible explanation might be that unemployment affects the standard of living of a family to such an extent that it produces underfeeding, poor housing conditions and insufficient clothing. As children are affected by these poor conditions their concentration at school suffers. Additionally, children do not receive much help with their studies from their parents, either because the latter are too anxious, tense and irritable to do so or because they do not have the time as they spend most of it outside the house looking for jobs.

There are several studies which support this explanation. Some were carried out in the thirties. For example, Jahoda et al.(1933) investigated the socio-economic situation of the Austrian village of Marienthal and found that prolonged unemployment prevented the renewal of children clothes; this in due course affected both

children's health and their education as pupils were kept away from school owing to lack of proper clothes.

The Save the Children International Union (1933), in a series of enquiries into the effects of unemployment on children in developed countries, found that unemployment had an impact on child absenteeism from school and low academic attainment; the latter made worse by the inability of parents to buy books and other educational materials which their children required.

Williams (1933) carried out a study of the effects of unemployment and welfare practices in five cities of the state of New York. He found that the hardship attached to the experience of the massive unemployment of the thirties affected the education of many children. Their academic performance suffered from problems of insufficient clothing and malnourishment; many of them even had to drop out from school and join the long queues of job seekers.

More recent studies have also paid attention to the relationship between unemployment and education (White, 1983; Whelan et al., 1977; Yanez et al., 1979; and Silva, 1981). For example, White (1983) - with the help of the Public Attitude Surveys Research Ltd. - conducted a survey in 1980 of long-term unemployed people in Great Britain and found that children in families with long-term unemployed men missed more school days, had reading problems and were referred more times to educational psychologists than children in families where their members were employed.

Bates et al. (1984) investigated the situation of children with unemployed parents in three schools in Coventry and one in Rugby (ie, Great Britain) and found that their levels of absen-

teeism were higher than those of other students; they took more time off from school to help in the house or do part-time work.

Yanez et al. (1979) investigated the educational experiences of families facing unemployment problems in Chile; they found that unemployment affects children's education in several ways. Firstly, as the parents were forced to do informal jobs, older children had to leave school in order to look after younger children; secondly, the education of those who remained in school was affected by the deprivation in which these families live and by the lack of help and supervision in their studies from their parents or older siblings.

Farias (1977) also carried out a study on families with unemployment problems in Chile. He interviewed school teachers of children whose parents were unemployed. Teachers mentioned that pupil absenteeism reached over one-third during winter due to health problems, inadequate clothes or having to work to help the family. Moreover, during their lectures, these children failed to keep their concentration, tended to fall asleep and some of them even faint. Teachers also mentioned that - with few exceptions - their academic records were the lowest and many of these children had to repeat grades.

Apart from the impact which unemployment has on the educational attainment of children and adolescents, the poor economic conditions which are associated with the occurrence of unemployment explain the high number of young people who drop out from school to join the labour force. For example, Westefeld (1943) did a survey of young people in the labour market for the years of the

Great Depression in seven large cities in the United States and found that 47 per cent of the youngsters reported that their principal reason for not continuing with their education was the financial difficulties faced by their families due to the unemployment of their parents. Moreover, Clague (1932) studied the major sources of revenue of unemployed people in Philadelphia and found that children's work was a major contributor to the families' income even though it meant that those children had to leave school.

Nowadays, the situation in developed countries is quite different from that of the thirties. New legislation and the improvement and extension of the provision of the welfare state have reduced the economic hardship caused by unemployment. Therefore, there has been a major reduction in the number of youngsters who drop out from school to join the labour market in order to contribute to the finances of their families.

Nevertheless, child labour continues to be a major source of income for families with unemployment or other employment problems in developing countries. Children have been forced by their family circumstances to leave school and go to work; as eloquently stated by Morice (1981:132)...

" it would be an illusion to maintain that children - subjectively - have anything to gain from an inquiry into their economic activity when these are necessitated by unemployment in the family, the threat of future unemployment and an inadequate collective income. Such circumstances may lead children to carry out small-scale tasks in a more or less informal way".

Some evidence on the importance of child labour in developing countries was given by Lomnitz (1979) who carried out a study on the marginality of the Mexican shanty town of Cerrada del Condor. Lomnitz concluded that child labour was one of the most important survival sources for families facing hardship; children skipped school and helped with the running of the household or performed odd jobs whenever the economic situation of the family deteriorated. Moreover, she found that a large family had a positive economic connotation due to the widespread use of child labour.

Farias (1977) found that most of the young people who dropped out from school did so to work and contribute to the finances of their households. In some cases, as many as fifty per cent of the students in a class left school before the academic year was over.

Another interesting piece of research was done by Whelan et al. (1977). They analyzed survival actions in the city of Santiago, Chile and found that children from families affected by unemployment problems left school to work but due to the economic recession which Chile faced in the mid seventies, the demand for informal services shrunk and children ended up joining the long queues of unemployed people.

The last point shows that unemployment not only affects the education of children but also may have a lasting impact on their working life. To the extent that education is used by employers as part of a screening process to allocate jobs (Dore, 1976), young people who, due to hardship caused by unemployment on their families, have either a low academic record or drop out from

school to work are left with fewer job opportunities than other young individuals.

Only a few researchers have argued that the impact of low levels of education produced by unemployment has been minimal in the long-term. Elder (1974) investigated the situation of children during the Great Depression in the United States and concluded that none of the experiences of young school leavers had long-term adverse effects on adult life; once the economic situation improved, there were more opportunities for these youngsters, though those with lower levels of education did not do as well as better qualified counterparts.

Furthermore, Mendelievich (1979) argues that children in developing countries are led to believe that they must work from an early age through solidarity with the family group in order to compensate for the economic burden that they represent and to share in the maintenance of their families. Therefore, children in many cases consider it normal to follow the steps of their parents; ie, to abandon school and start working at a tender age.

Nevertheless, evidence suggests that school-leavers in developing countries come from low class urban families (Silva, 1981) where several of their jobless members do odd jobs to survive. Thus, children tend to follow the example set by their parents and use family contacts to join the urban informal sector; in most cases, they do so for long periods of time as their low academic qualifications rules them out from the competition for jobs in the formal economy.



Therefore, the situation of these youngsters might be described as one of a vicious circle; ie, their limited working experience (if any) in the formal economy as well as their poor academic qualification prevents them from obtaining a full-time job and consequently of pursuing a working career in the formal economy which, unlike the informal sector, would provide them with better economic rewards and job stability.

Another element which might affect career prospects for school leavers is youth unemployment. There are several studies which have looked at the impact that unemployment has on school leavers (Riddley, 1981; Jackson, 1985; Blaug, 1974; Wallace, 1986; Dore, 1976; Griffin, 1985; Holland, 1979; Simon, 1978; and Coffield, 1984). These studies highlight the importance which the first years in the labour market have on the formation of the attitude of school leavers and habits which will affect their working life.

As already discussed, some youngsters have to leave school and cut short their formal education because their parents are unemployed and cannot afford to support them; if, at the beginning, they experience a long spell of unemployment, the chances are that they will never fulfil their work potential because unemployment will prevent them from developing skills in their formative years.

There are contrasting views regarding the impact which youth unemployment might have on school leavers. For example, Riddley (1981) argues that the experience of unemployment for a young person during his formative years is more traumatic than for adults, while Coffield (1984) maintains that the situation for young

people is not so serious as they learn to live with it since they have nothing to compare it with.

Despite the fact that it is difficult to measure the impact which unemployment might have on young people and to determine its lasting effect on their working careers, there is evidence - if not conclusive - that the effect of unemployment on school leavers is rather negative. Research such as that of Holland (1979) shows that unemployed youngsters tend to have fewer academic qualifications than working youngsters. In addition, the former more often come from families of manual workers where other people are also unemployed (Bates et al., 1984).

These findings support the idea of the existence of a vicious circle as young people leave school to help with the finances of the household when other members are unemployed. They join the labour force in a disadvantageous position since they have few academic qualifications and no previous working experience during periods of high youth unemployment; therefore, they experience long spells of unemployment which do not allow them to develop their abilities and obtain new skills. If they manage to get a job, it will usually be an unskilled job because of their few qualifications, limited experience and immaturity (Westefeld, 1943). Moreover, the fear of unemployment will have a powerful impact on them and more likely than not, they will remain in unskilled jobs which are probably unpleasant and unsatisfying (Simon, 1978)

Alternatively, young people might choose to reject the work that they encountered on leaving school as these jobs are per-

ceived as undesirable or fall short of fulfilling their expectations. For example, Wallace (1986) investigated the attitude of young people towards work in the Isle of Sheppey in Great Britain. She found that several school leavers rejected the first job offer not because they were ill prepared for working life as the type of jobs offered were extensions of part-time jobs which they had during their school days but because the jobs offered were not considered by them to be adequate. As long as these school leavers maintain their attitude and no other types of job are available for them, they will experience long periods of unemployment with the already discussed long-term consequences.

## PART 2. Responses to Unemployment.

Having reviewed some of the effects which are commonly associated with unemployment, it is important to discuss the responses of individuals and their households to unemployment. The set of actions which they take will depend on several factors such as the economic and social resources which they have, neighbourhood links, skills, the state of the labour market, and the degree of information on job opportunities. As already seen, these factors will not only determine the impact of unemployment but also will influence the reactions of jobless individuals and their households.

The financial situation of unemployed people in developed countries is better now compared with that of the thirties; this is due to unemployment benefits and the provision of public assis-

tance (through the welfare state) which have diminished the impact of unemployment. However, several studies (Hill et al., 1973; Daniel, 1981; Colledge and Bartholomew, 1980) have shown that despite the existence of unemployment benefits and other income support schemes, unemployed individuals and their households still faced hardship. Thus, it might be assumed that people confronted with lower standards of living and facing some of the social effects analyzed in part one, use other means to counteract the impact of their unemployment such as social support, informal economic activities and crime.

Moreover, non-governmental means of protection are more widely used by unemployed people in developing countries where the provision of unemployment benefits and public assistance by the government is minimal due to its meagre financial resources. For example, only four countries in Latin America give institutional protection to unemployed people but in comparison with the protection given in developed countries, insurance benefits are limited both in terms of absolute amounts and periods of coverage (Rodriguez and Wurgaft, 1987).

Because of the differences regarding the provision of unemployment insurance in developed and developing countries, the following discussion puts emphasis on non-governmental means of protection as those are more relevant to the case of Costa Rica. The responses to unemployment which are being reviewed here are: the functioning of social support; the use of alternative forms of employment and sources of income such as the participation in the informal sector; home production; crime; and the process of job search. The discussion is based on the findings of researchers who

have studied different ways in which people have managed to cope with the ill effects caused by unemployment.

For a better understanding of the subject, each set of responses is discussed separately but as will be seen in chapter VII, in reality people tend to combine several responses and implement what might be called "a strategy for survival".

### 2.1. Social Support.

The availability of social resources is an important element which helps individuals and their families to offset the effects caused by unemployment. Kinship and friendship ties, as well as the integration of families into the community, form part of a mechanism which in periods of adversity provide families with much needed support.

This mechanism might be referred to as an informal network of reciprocal exchanges. Adopting Lomnitz' (1977) definition, social support might be seen as a field of informal relationships between individuals based on reciprocity. This comprises exchanges of goods and services characterised by (i) social relationships, (ii) reciprocal flow of goods and services which persists beyond a single transaction, and (iii) an exchange which is not dictated by the market forces of supply and demand.

In addition to informal relationships, care and assistance are based on shared experiences between receivers and carers and a gesture of altruism towards those in need (Froland and Kimoko, 1981). Moreover, apart from the importance of the extended family

as provider of support (Lomnitz, 1979; Komarovsky, 1967), relatives living outside the household, friends and neighbours are other major sources of protection for families facing hardship caused by unemployment.

However, in practice the degree of support varies according to the closeness of the existing links between the family and their sources of social support. Wenger (1984) found that relatives are more willing or able to make long-term commitments to care than friends and neighbours. Tinker (1984) also reached the same conclusion.

Factors which have been found to explain these different degrees of commitment are a stronger feeling of solidarity among relatives; the reciprocal character of informal networks which means that families facing long-term unemployment cannot reciprocate the support received; the fact that friends and neighbours' help is usually given on an unorganized and spontaneous basis for a limited period of time (Yoder et al., 1985); and the embarrassment of being dependent on outsiders (Braithwaite, 1983) which is greater with respect to non-relatives.

Some of the advantages of the social support mechanism are that it is readily accessible, free, probably carries less stigma than any help from the government or other institution outside the realm of the family and/or the neighbourhood, and serves as a buffer regarding the psychological impact of unemployment since people closer to the family can assist those affected in a more appropriate and personal manner (Braithwaite, 1983; and Liem and Liem, 1978).

Social support also has disadvantages; among others, the spontaneity and temporary character of the support given (Lentjes and Jonker, 1985) which limits its impact, in particular for long-term unemployed people; the economic and social constraints of the carers which prevent them from helping for longer periods of time; and the limited information on job opportunities which people living in deprived areas have or are willing to pass on (Farias, 1977).

There are several types of support which have been identified through years of research. For example, Willmot (1987) in a study of 163 households in east London found that relatives, friends, and neighbours supplied different kinds of assistance. Relatives gave financial help and advice, helped with the care of children and provided comfort during periods of personal and marital difficulties; friends provided day to day care with young people, shopping, home maintenance, emotional support, advice, useful contact with other people and information on job opportunities; finally, neighbours gave these families loans of food or tools and emergency help in cases of illness, sudden death or fire.

Lomnitz (1979) investigated life in the Mexican shantytown of Cerrada del Condor - where the underutilization of labour was widespread - and found that families received help from other relatives, friends and neighbours; though the aid was limited by the meagre economic and social resources that carers commanded. She also found that families facing unemployment problems received tips on job opportunities, job assistance through the informal training of young members of the household, loans of food, tools

and clothes, help with the maintenance of the house and moral support.

Farias (1977) in a study on unemployed people in Santiago, Chile, concluded that social support was crucial for their survival; respondents identified food and money loans, gifts of clothes, information on jobs and the care of children - in particular in nuclear families - to allow members of the household to look for jobs, as the most common help received from relatives, friends and neighbours.

In addition to the assistance given by outsiders, families might try to offset the loss of income caused by unemployment through the reorganization of household duties to facilitate the participation of other members of the family in the labour market (Farias, 1977; Yanez and Martinic, 1979).

The re-structuring of the internal domestic division of labour is more easily done in extended families as the presence of three or more generations makes it possible the reallocation of duties within a household. Thus, it might be said that the extended family has a positive economic connotation due to the widespread use of unpaid child labour as well as the utilization of relatives for emergency assistance during periods of loss of work (Lomnitz, 1979).

Several studies in Chile have shown that when the head of the household fails to find a job, he reluctantly sends his wife and children out to work (Whelan et al., 1979; Silva, 1981). However, in the process, the sexual division of labour tends to be



reproduced, as sons enter the labour market or help their fathers while daughters do the housework that their mother can no longer do when she goes out to work (Yanez and Martinic, 1979; Griffin, 1985).

Moreover, Roldan (1985) looked at the role of partners and children in 140 households in Mexico where wives were outworking and found that 72 per cent of the daughters and 51 per cent of the sons helped with the running of the house, the former in housework activities and child care, and the latter giving messages and purchasing basic goods.

Roldan's findings reinforced the belief that when wives have to join the labour market to help with the finances of their families (affected by unemployment), the internal domestic division of labour which takes place follows traditional sexual segregation of roles in each household; ie, daughters take over their mother duties or alternatively, mothers look after their daughters' children to allow them to participate in the labour market (Young and Willmot, 1957) while male involvement in the running of the house is kept minimal ( Marsden and Duff, 1975) and in some cases even produces some friction as the presence of unemployed husbands in their houses restricts the domestic life of their wives ( McKee and Bell, 1986).

To recapitulate, social support is an important mechanism for survival available to families facing hardship caused by unemployment. The importance of this mechanism is illustrated by the findings of Braithwaite (1983) who from a sample of 154 unemployed individuals in Trinidad and Tobago found that over 60 per cent of

them identified the support received from relatives, friends and neighbours as the major source of protection during periods of unemployment.

Having already discussed some of its disadvantages, it seems that social support - desirable as it may be - cannot counteract inadequate social and economic policies or replace the protection provided by the welfare state in countries like England (Wenger, 1984); however, in societies where there is no governmental assistance to families with unemployment problems, social support remains a vital source of protection.

## 2.2. Alternative Sources of Work and Income.

For individuals who become unemployed, there are other alternatives to gainful employment which can help them mitigate the effects caused by their unemployment. Unlike the first part of this chapter where work was seen as "paid employment", the concept of work will be expanded to incorporate other forms such as informal economic activities and home production. These alternative forms of work may also be used by unemployed people to generate income and offset the hardship they face. Thus, this section will look at the different ways in which unemployed people and their households try to compensate for the loss of gainful employment and income.

### 2.2.1 Participation in the informal sector.

The aim here is to discuss the importance of the informal sector as a source of employment and income for unemployed people. Before this is done, however, it is necessary to briefly refer to the origins of the formal-informal sector dichotomy and clarify what is understood by "informal sector".

#### A. The origins of the concept of the informal sector.

The concept of the "informal sector" is derived from the economic theory of dualism whose origin is linked to Lewis' two sector labour transfer model (Lewis, 1954); in his model, labour was transferred from the traditional rural agricultural sector to the small urban modern industrial sector.

Ranis and Fei (1964) expanded Lewis' model by looking at consumption in both sectors; Weeks (1971) also used Lewis' model to analyze forms of labour exploitation which take place in the economic sectors. Geertz' (1963) work on the "bazaar type" of economy as well as Reynolds' (1969) model, incorporated new sectors to the analysis of urban economy.

Research in the sixties centred on the problem of classifying different urban economic sectors, but it is in the early seventies that the focus of attention changed. The pioneering study by Hart (1973) of what he called "the informal sector" of a town in Ghana is the first attempt made to identify and analyze the composition of a sector which previously was seen as a conglomerate of residual labour from agriculture and industry.

Hart distinguished between formal and informal income opportunities, that is, differences between wage-earning and self-employment, but remained agnostic on the potential of the informal sector to promote development and economic growth in developing countries.

Afterwards, the ILO employment mission to Kenya (1972) showed more optimism and embraced the informal sector as a major element for its analysis of income and employment problems. The ILO defined this sector as a way of doing things which included informal activities characterized by (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership of enterprises; (d) small scale of operation; (e) labour-intensive technology; (f) skills acquired outside the formal school system; and (g) unregulated and competitive markets.

Moreover, the ILO optimism on the potential of the informal sector to foster development and economic growth in developing countries, was based on the assumption that the small enterprises of the informal sector were capable of absorbing and supporting urban workers, promoting entrepreneurship, reducing cost of living by producing goods and services at lower costs for the urban consumers and the substitution of imported manufactured goods.

The ILO report had an impact in development thought as people who were seen before as squatters, were considered as "solutions" rather than "problems" (Sinclair, 1978:82); furthermore, it contributed to the development of a comprehensive approach to employment. Through (i) the incorporation of different dimensions of employment problems; (ii) the identification of specific struc-

tural imbalances which aggravated the problem of employment; and (iii) the targetting of the urban poor, the report contributed to the development of a different approach than that of the traditional urban sector (Moser, 1978:1046).

In addition to the ILO, other authors have also adopted the dualistic approach and defined the existence of two economic systems in developing countries; for example, McGee (1973:138) referred to the capitalist sector and the peasant sector; Santos (1979) identified two sectors which he called lower and upper circuits, the former characterized by small scale manufacturing, trading, street-vending, repairs and services; and last but not least, Mazumdar (1974) referred to the presence of a formal sector protected by institutional arrangements (unions and governments) and an informal sector exposed to unmitigated market forces.

The informal sector approach has been advocated by many policy-makers in developing countries because of its appeal in terms of policies such as training and credit facilities for the establishment of small enterprises using appropriate technologies. However, the informal sector has also been criticized by several authors (Breman, 1976; Bromley, 1978; Gerry, 1978; MacEwan Scott, 1979; Moser, 1978). According to Bromley (1978:1036), the concept of the informal sector was a reflection of the dominant development orthodoxy of the seventies and allowed politicians to help the poor without this posing any threat to the rich.

Other criticisms made by the above authors to the concept of the informal sector might be summarized as followed: (i) the concept of the informal sector is highly aggregated and this limits

the heterogeneous and complex activities which take place within the sector and with respect to the formal economy; (ii) the dualist approach is rather simplistic as economic sectors are not independent; it assumes that the informal and formal sectors are autonomous when in reality they are interrelated; (iii) the nature of the inter-relationship between the formal and informal sector is one of domination/subordination, rather than neutral; (iv) the classification of formal/informal sectors ignores the distribution of market power between both sectors; (v) the rather simplistic theoretical perspective of the informal sector leads to single policy prescriptions which cannot be equally applied to each individual or enterprise of the informal sector.

Some of the critics of the dualistic approach adopted a marxist structural analysis to develop an alternative theoretical approach known as "Petty Commodity Production" (Bose, 1974; Gerry, 1978; MacEwan Scott, 1979). This is based on the recognition that differences exist among petty enterprises in the manufacturing, services and transport sectors of the urban economy. Therefore, the framework is based on a continuum of economic activities rather than on a two-sector model (Moser, 1978:1056). Moreover, the formal-informal sector dichotomy is replaced by a model which reflects the articulation of forms and modes of production which are asymmetrically interconnected by relations of domination/subordination (Roldan, 1985:250).

Gerry (1978) studied the petty and capitalist production in Dakar and concluded that though the typical self-employed petty producer might appear to have control over the means of production, in real terms his labour is subordinated to capitalism. The

subordination is caused and sustained through mechanisms of unequal exchange. This unequal exchange results from discriminating and exploitative subcontracting and monopolist protection as well as the fact that the capitalist sector controls credit facilities, contracts and licenses.

The Petty Commodity Production approach is perhaps the best analytical alternative to the formal-informal sector dichotomy. However, there is no agreement among authors on the definition of concepts such as modes and forms of production and articulation. Additionally, the economistic application of marxism excludes any consideration of social factors such as gender or ethnicity which are important elements for the understanding of other dimensions of domination\subordination which exist in the urban economy; thus, these limitations impede theoretical progress regarding the interaction of different urban economic sectors.

Leaving aside the origins and critiques of the concept of the informal sector and its alternative theoretical approach - Petty Commodity Production - for the remainder of the thesis it is necessary to adopt a broadly accepted definition of what will be referred to as the "informal sector". The informal sector will be seen here as an interlocking complex of economic activities carried out by individuals and small enterprises. The actors are engaged in non-organized activities (lacking any distinction between labour and capital), where wages are not exclusively monetary, and where the requirements of social legislation such as minimum wage and social security are not met. The technologies used are traditional and labour intensive. There is "ease of entry" due to the absence of administrative barriers and small

capital needs. The sector includes mainly the lowest strata of urban society, beyond the reach of organized labour and social security. The occupational composition includes domestic service, occasional workers, self-employed workers, and workers in small enterprises (up to 5). It also includes workers who earn less than the minimum wage (Souza and Tokman, 1975:8; Roldan, 1985:248).

#### B. The informal sector: a mechanism for survival.

Having defined the concept of the informal sector, the remainder of this section looks at the importance which the informal sector has for unemployed people as a mechanism for survival. However, because of differences regarding the economic and social systems of developed and developing countries, these situations are discussed separately.

##### B.1 The informal sector in developed countries.

Recent studies of the informal sector in developed countries respond to a preoccupation over the loss of fiscal revenues; loss which has been partially explained by the existence of economic activities which are unofficial in the sense that they lie outside the state accounting system and consequently are not registered by official statistics or tax collectors (Henry, 1982; Jahoda, 1979).

Other researchers have looked at the association between the informal sector and unemployment but have come up with different interpretations; on the one hand, some argue that the problem of unemployment has been exaggerated because many people receiving



unemployment benefits are in fact gainfully employed in the informal economy (Feige, 1981; Gutman, 1979); on the other hand, it is often argued that the informal sector acts as a safety valve which allows unemployed people to cope with their ordeal (de Grazia, 1979; Gershuny, 1977).

Independently of which interpretation is right, there is little evidence to suggest that the informal sector acts as a buffer against unemployment (Trew and Kilpatrick, 1984; Bunker and Dewberry, 1985; Miles, 1983; EIU, 1982; Ferman and Berndt, 1981). For example, the Economist Intelligence Unit (1982) interviewed 1,000 unemployed people in Britain and after assuring them that the survey was not part of a government enquiry, found that only 23 per cent of the sample did jobs for other people (mostly gardening, painting and decorating) but few of them received cash in exchange for their work (8 per cent).

Miles (1983) carried out a study of 300 unemployed people in Brighton and concluded that most unemployed people were not spending their time in the informal economy. Miles' findings are supported by the DHSS cohort study (1981) which found that only 16 per cent of long-term unemployed people participated in the informal sector in the 12 months before the interviews took place.

Last but not least, Ferman and Berndt (1981) investigated the participation of unemployed people in Detroit, Michigan and concluded that there was little evidence in their study to support the popular contention that unemployed individuals were gainfully employed in the informal sector. However, caution is called for before any conclusion is drawn from their study, as there are fac-

tors which might explain these results. These include, (i) the illegal nature of the informal sector and the knowledge that their unemployment benefits can be cancelled which makes jobless people suspicious and reluctant to give information; (ii) for some people, unemployment benefits reduce the pressure to find work (Wilson, 1987); (iii) the limited opportunities for unemployed individuals who live in poor areas as the demand for informal sector products is restricted by the economic situation of the inhabitants of these areas (Gershuny, 1977); and (iv) the depressed, despondent and passive state of unemployed people does not provide them the motivation to face the risks involved in participating in the informal sector, that is, loss of unemployment benefits and sanctions for tax evasion (Wallace, 1984).

Whilst the proposition that the informal sector is generally utilized in developed countries by people to offset the hardship caused by their unemployment cannot be supported with the evidence presented, the secrecy and illegal character attached to these informal activities make it impossible, at the same time, to deny the importance of the informal sector; further research on the responses of individuals to unemployment is required before the association of the informal sector and unemployment can be fully assessed.

## B.2 The informal sector in developing countries.

The emergence of the concept of the informal sector in development studies is based on the experiences of developing countries. Moreover, as already discussed, the relevance of the

concept lies in the fact that it goes beyond the preoccupation with unemployment and incorporates employment as the most important problem in developing countries (Moser, 1978:1051).

Furthermore, the concept of the informal sector - by looking at alternative forms of work which are outside but at the same time linked to the formal economy, enables the use of the informal sector for survival purposes by unemployed people (in the absence of any institutional form of protection such as social security, unemployment benefits).

Nevertheless, the informal sector is not an invention of the unemployed; on the contrary, informal activities are mainly the result of the incapacity of the formal economy to absorb the labour force (Prealc, 1978; Tokman, 1979:74). This incapacity might be attributed to various causes, such as (i) high levels of urbanization due to demographic growth and rural-urban migration; (ii) the insufficient growth of the industrial sector to generate enough employment opportunities for the excess of urban labour supply and the tertiarization of the economy, and (iii) the application of capital-intensive technologies which aggravates the employment problem as the demand for labour cannot match the increasing supply of labour.

Since the early seventies much attention has been paid to the informal sector in developing countries. Despite the fact that research has centred on the identification of different forms of labour-use and their interrelationships in urban areas, there is

evidence to suggest that unemployed individuals use the informal sector as a means to offset the hardship which they face.

The following studies illustrate the importance which the informal sector has as a mechanism for survival in developing countries. Farias (1977) investigated the responses of unemployed people in Chile and concluded that the informal sector was widely used as an alternative source of work and income; but, with the exception of those who were previously engaged in the construction sector, respondents considered their participation in the informal sector as temporary; employment in the formal economy was their priority.

Braithwaite (1983) found that one-third of a purposive non-random sample of unemployed people in Trinidad and Tobago referred to their participation in the informal sector as their most important mechanism of survival. They identified occasional gardening, washing, cleaning, sale of products in the market or on the streets, repair of bikes, painting and minor carpentry work as the type of odd jobs which they sporadically performed.

Rempel and House (1978) looked at the employment problem of Kenya and identified two groups in the informal sector: the "community of the poor" and "the intermediate sector". Unskilled unemployed individuals and rural migrants were the core of the "community of the poor" who, while seeking jobs in the formal economy, also did odd jobs; they saw their involvement in the informal sector as temporary.

As a last example, Steel's (1977:76) research on the informal sector in Ghana shows that unsuccessful job seekers and laid off workers must participate in the informal sector to earn enough money to survive. However, Steel concludes that for some of them, the participation in the informal sector might lead to business success. This assumes that small-scale firms operating in the informal sector can flourish and eventually integrate into the formal economy.

The evidence presented here indicates that unemployed people resort to the informal sector while seeking new jobs in the formal economy. The informal sector provides them with the opportunity to work and earn income, though in most cases only at subsistence level. Ease of entry, low skills, small scale of economic activities and the use of labour-intensive technologies are some of the characteristics of the informal sector which in theory facilitates the participation of unemployed individuals in the informal sector.

Despite Steel's optimism on the potential of the informal sector to generate economic growth and employment, optimism which is shared by others (Chana and Morrison, 1976; Weeks, 1975), in reality the informal sector presents several shortcomings which prevent it from being the ultimate solution for unemployed people.

Some of these shortcomings are, (i) the existence of informal barriers of entry as organizations of informal workers and government policies might for instance restrict areas for street vendors to operate (Lomnitz, 1977); (ii) lack of job security, as informal activities are temporary and are not protected or regulated by so-

cial security and the government respectively; (iii) the demand for the informal sector's products and services is limited by the economic situation of the urban poor (Whelan et al., 1977); (iv) the small scale of operations of enterprises in the informal sector, lack of capital and knowhow, and limited access to credit facilities (if any) makes it harder for them to compete against firms from the formal economy (Levine, 1966); (v) the potential of petty producers in the informal sector to expand their business is determined by the dominant capitalist economy; the capitalist economy sets the volume of production, type and quality of goods produced and fixes the price below their true value (Moser, 1978); and (vi) during periods of economic recession, high levels of unemployment increase competition for work in the informal sector to the detriment of unskilled unemployed people (Farias, 1977).

These shortcomings show the limitations of the informal sector to be a permanent solution to the problem of unemployment; furthermore, this supports the proposition that the informal sector is mainly used by unemployed individuals as a temporary alternative source of work and income in developing countries. Unlike developed countries where the provision of unemployment benefits and other forms of income maintenance might explain the relatively smaller participation of unemployed people in the informal sector, the latter remains a major mechanism for survival in developing countries.

#### 2.2.2 Home production.

In addition to the informal sector, if not part of but closely related to it, home production of goods and services is an alter-

native source of work and income for unemployed people and their families. Different names have been given to this form of work such as self-provisioning (Wallace and Pahl, 1986), self-service economy (Gershuny, 1977), and household economy (Burns, 1977). These terms mainly refer to the experience of developed countries, therefore, it is necessary to use a broader definition to incorporate the experiences of unemployed individuals in developing countries.

This alternative form of work will be referred to as "home production" and is defined as the production of goods and services made by members of a household for their own consumption and/or for the market. The production takes place in the house and what is produced is partially determined by domestic patterns of consumption, as most goods produced are substitutes for those which might be purchased for money; though surpluses or other goods may be produced for the market. The sale of these goods is done through the operation of the informal sector (eg, street vendors).

The production process is determined by the tools and other capital goods owned by the household, its access to credit (mostly informal), the skills and knowhow of the members; consequently, home production operates on a small scale and uses labour-intensive technologies. Last but not least, the work of members of the household is not remunerated as in the formal economy (ie, known as unpaid family work), though payment can take the form of increased consumption or pocket money.

The preceding characteristics highlight the potential which home production has as an alternative source of employment and in-

come, not only for those unemployed but also for the other members of a household. But, not every household gets similar benefits, for instance, large households might find it easier to establish a home enterprise as they can pool together more labour resources than small households (Lomnitz, 1979) but, at the same time, most of the former's production will be consumed by their members due to their bigger domestic demand.

Moreover, poor households with unemployment problems do not have the capital goods which better-off families with unemployment problems have, but because of their economic situation, they might use theirs more intensively to produce goods for their own consumption and for sale (Pahl and Wallace, 1985:195).

Despite the potential of home production as an alternative source of work and income, studies in developed countries show that home production is not a device commonly being used by unemployed people. For example, Miles' (1983) research on unemployment in Brighton indicates that jobless individuals did not have the tools, skills, transport and social networks to establish a household productive unit; other constraints were the non-ownership of household equipment, and lack of access to gardens and other working spaces.

Wallace and Pahl (1986:121) did a survey in 1981 in the Isle of Sheppey, Kent, and found that, though unemployed people have the time and presumably the need to produce goods for their own consumption, they did not have the money or possibly the inclination to do so.



Regarding the use of home production by jobless individuals in developing countries, there is some evidence which suggests that this alternative source of work and income is one of the devices being used by unemployed people to offset the impact of their unemployment; however not much research has been done on that subject. Braithwaite (1983) found that in Trinidad and Tobago one-third of the households with unemployment problems participated in the informal sector selling home products such as fruit and vegetables from their own gardens, clothes and food. He concluded that people in these households were more creative and independent-minded than the rest of the sample who mostly depended on social support.

Connolly's (1985) study on Mexico City suggests that households with unemployment problems - in particular large households - tend to establish domestic units of production where children and women provide most unpaid family labour. Their activities range from building their houses to more simple tasks such as making clothes.

Finally, Farias (1977) identified changes in the type of products made in households with unemployment problems; repair of electric appliances, mending of clothes and sale of home made food were the most common activities, while prior to unemployment these households' activities were self-construction, maintenance or housing improvements. He concluded that differences in products reflect the impoverishment of the households caused by unemployment as they have to centre their efforts on survival activities.

The last point indicates that though home production seems to be an important mechanism for survival in developing countries, lack of capital goods, skills and knowhow prevent it from being an alternative to gainful employment in the formal economy.

### 2.3. Crime.

People facing unemployment might step outside the law and commit criminal offences to offset the hardship caused by their jobless situation. As already seen, the informal sector may in some respects be equated with illegality in developed countries (ie, tax evasion) though in developing countries the view towards this sector is more lenient. Thus, having already reviewed the informal sector, the discussion in this section is centred on other more unequivocally criminal offences such as vandalism, robbery, and prostitution.

The relationship between unemployment and crime has been investigated by many authors (Gutkind, 1967; Jahoda et al., 1933; Schwartz and Henderson, 1964; Brenner, 1971; Yeager, 1979; Singell, 1968; Marlin, 1973; Danzinger and Wheeler, 1975) who have identified the link between both phenomena but have, again, failed to determine the direction of their causality; this is due to methodological limitations as well as the complexity of the subject. Complexity based on the fact that in addition to unemployment, other variables such as education, income inequality, poverty, psychological disturbances, social class, size of the police force and their attitude towards offenders, the judicial system and employers' attitudes towards ex-offenders might also have an impact on the incidence of crime.

Independently of the direction of causality, there is evidence that some jobless individuals resort to crime as an alternative source of income. Singell (1967) analyzed the relationship between unemployment and crime in the United States and concluded that there was a positive correlation, in particular for youngsters. He interpreted this in the light of high levels of unemployment which made it harder for young people to find jobs; consequently, their frustration and economic situation probably "forced" these youngsters to participate in criminal offences.

Jones (1981) carried out a cross-study in Guyana and concluded that crime rate among unemployed people was greater than that of employed individuals. Jones interpreted this difference as an indication of the demoralizing experience of people who fail to find jobs and then choose criminal activities as a means to secure their survival - in the absence of unemployment benefits. Jones gathered information from interviews with criminal offenders but failed to incorporate the job histories of the offenders; therefore, it is difficult to determine the reliability of the responses given, as criminal offenders might have attempted to justify their crime in terms of their employment situation.

Hirsh (1969) found that not only people facing unemployment might commit criminal offences but also others members of the household might do so either because of the criminal example set by those unemployed members of the household or as a measure to offset the hardship within it.

These studies show that non-violent crimes such as burglary, pick-pocketing, and fiddling were the main offences perpetrated by

jobless people; therefore, judging from the type of offences committed, it seems that unemployed people turn to crime mainly to obtain money to compensate for the loss of income caused by their unemployment.

Other investigations have focused on the type of criminal offences carried out by unemployed people and reached similar conclusions. For example, Hill et al. (1973) made a study in three English towns and found that the great majority of the offences perpetrated by unemployed individuals were petty crimes, (though only few of them engaged in this).

Bostyn and Wight (1987) studied an ex-coal mining village in Scotland and found that few people embarked on criminal activities such as fiddling the Department of Health and Social Security or stealing; cash was the prime motive for their criminal offences but in some cases, it was a spontaneous response to boredom and an expression of frustration at being unemployed.

Braithwaite (1983) looked at the responses of unemployed people in Trinidad and Tobago and found that 6 per cent of the respondents obtained income through non-violent criminal offences such as begging, selling marijuana, gambling and stealing. He called these individuals "hustlers" and concluded that though a risk is involved, hustling provided them with a sense of independence and freedom and helped them to cope with hardship.

Farias (1977), in his study on unemployment in Chile, found that burglary, pick-pocketing, prostitution and begging were the most common criminal offences committed by unemployed people

though only a minority took this line of action as police raids were more frequent and tougher sanctions were imposed on offenders.

The last point indicates that crime does not necessary pay off as an alternative source of income. First, as shown by Farias' investigation, the attitude of the police in Chile towards crime and the constant use of violence by them against offenders increases the risk of being caught and punished; punishment which goes beyond the prison term due to the stigma attached to it.

Second, the attitude of employers towards ex-offenders might restrict their job opportunities as the criminal record is one of the criteria usually used by employers for the allocation of jobs. Moreover, an ex-offender faced with the prospect of long-term unemployment might again resort to crime, out of necessity or not. Villalobos (1985) found a high rate of recidivist crime among prisoners; he interpreted this as being the outcome of the fact that once an offender terminates his term in jail, the chances are that he will not be able to find a job because of the importance given by employers in Costa Rica to the criminal records of the applicants.

In addition to job discrimination, ex-prisoners are not readily accepted back into the community (Lipton et al., 1975); therefore they have not only to cope with the fact that their job opportunities are at best minimal but also with a feeling of guilt and individual failure created by their community's rejection.

## 2.4. Job Search.

The finding of a suitable job is probably the ultimate solution for unemployed people. It is from that perspective that the process of job search is reviewed here; that is, as a fundamental mechanism which unemployed people use to find a job. The importance of job search is also reflected by the fact that in many countries, job seeking is a prerequisite for any person out of work to be entitled to unemployment benefits.

### 2.4.1. Job search methods.

The process of job search comprises several actions which individuals can take to obtain information on job opportunities and thereafter fill out applications or attend interviews for those jobs which they consider to be compatible with their expectations and qualifications. There are two alternative but sometimes complementary channels of search which might be referred to as "formal" and "informal" channels. Formal channels include public and private employment exchange agencies and newspaper advertisements, while informal methods involve contacting relatives and friends to inquire on job possibilities, visits to establishments and sending of speculative letters to prospective employers (Hunter et al., 1981:285).

Formal channels are more widely used in developed countries where public employment services provide information to job seekers on vacancies as well as information to employers on potential candidates to fill these vacancies. However, research in

Great Britain and the United States has shown that informal methods have also been successfully used to find jobs (Rees and Schultz, 1970; Mackay et al., 1971; Reid, 1972; Wood, 1982; Marsden, 1982).

Notwithstanding the fact that formal channels form one of the alternatives available to job seekers, the following discussion will centre on informal methods for two reasons. First, because job seekers in developed and developing countries use them more frequently and second, to put emphasis on non-governmental sponsored responses which, as will be seen in chapter VII, are more relevant to the case of Costa Rica.

Regarding informal search methods, information networks based on kin and friendship probably represent the most effective channels of search which are available to unemployed people; additionally, through these networks, it is easier for employers to exert social control over individual workers (Grieco, 1987:2), as the new worker is constrained by the interests and reputation of his sponsor and shows his loyalty in the form of obedience and good behaviour.

Other advantages of the use of information networks for recruitment purposes are: (i) employee referral is an efficient screening device as the employer knows that his employee will give a reference only on individuals he is acquainted with (ie, knowledge of personality, skills, common friends, etc.); (ii) it is the cheapest way to recruit new workers as employers do not have to spend money advertising jobs; (iii) lower labour turnover rates as new workers will have advanced information on the attrac-

tions and faults of the job and the employer will have a better knowledge of the characteristics of new workers; and (iv) there is some degree of control from the employees as the mistreatment of a member of the network will eliminate the advantages described above.

Several studies highlight the importance of informal networks as a major mechanism to find work. In a research carried out in 1980 in the English town of Newcastle, the majority of men who found jobs after redundancy used informal contacts (Newcastle, 1980). Moreover, the Economist Intelligence Unit (1982) interviewed 1,000 jobless individuals and found that 77 per cent of them asked friends and relatives for vacancies.

Manwaring's (1982:9) results on recruitment practices in Birmingham, London, and Wales indicate that friends and relatives of people already working in a company are the first to join the queue when vacancies are announced; in Birmingham alone, 90 per cent of the employers interviewed identified the existence of informal networks.

Marsden (1982:14) found that families in the north-east part of England never moved to look for jobs and that despite the presence of high levels of unemployment, their social lives were a set of closely interlocking networks of relatives who provided them with information on vacancies.

Another important informal method which is commonly used (and in some cases related to information networks) is that of visits to establishments. The already cited study by the Economist Intel-



ligence Unit (1982) indicates that as many as 62 per cent of the respondents contacted firms in the neighbourhood or elsewhere; in most cases personal acquaintances referred these firms to them.

Finally, Farias (1977:41) found that manual unemployed workers in Santiago, Chile tend to visit establishments which are located near their houses or their former place of work; they do it in a speculative way with "the hope of finding a job"; additionally, in most cases they try to obtain a job similar to their last one but the longer their search lasts, they are more willing to accept any type of work. The study of Farias shows that expectations change overtime and that the duration of unemployment affects search methods and their intensity.

#### 2.4.2. Intensity of job search.

As already seen, unemployed individuals experience what *Eisenberg* and *Lazarsfeld* (1938) defined as stages of unemployment; that is, jobless people are at the beginning optimistic about their chances of finding work and search intensively for a job but a long period of unemployment affects their well-being, erodes their previous optimism which consequently is translated into a less intensive search. Changes in job expectations, the perception of unemployability due to personal characteristics or labour market conditions and increasing hardship are some factors which influence the intensity of the search.

The longer the duration of unemployment, the more likely are unemployed individuals to reassess their job search methods and change their job expectations in terms of the type of job and

level of earnings sought. The impoverishment which accompanies long-term unemployment not only has an impact on their confidence but also depletes the resources which allow them to search for a job on a continuing and intense search (Burghes and Douglas, 1981:71).

Regarding the effect of the duration of unemployment on job expectations, there are several studies which show that people are prepared to alter their expectations the longer their unemployment lasts. White (1980) investigated the circumstances of long-term unemployed individuals in Great Britain and found that less effort to find a job was expended by job seekers despite the fact that they modified their job expectations.

The Economist Intelligence Unit (1982) also concluded that the majority of the 1,000 unemployed people interviewed lowered their expectations in terms of earnings and skills though those with higher levels of education were reluctant to consider just anything in the way of a job. Fallon (1983) found that educated job seekers in Delhi were unwilling to modify their expectations and thus spent longer periods of time looking for jobs with higher earnings than their less educated counterparts.

Another study shows that a year after workers were made redundant in an engineering company on Tyneside (Newcastle, 1980), over one-quarter of skilled and most unskilled workers changed their minds about the type of work sought. Moreover, Moylan and Davies (1980) analyzed the results of the DHSS cohort study of men who became unemployed in 1978 and found that for the majority of them,

earning targets for new jobs were lower than their earnings from their last job.

People's perceptions of unemployability affect the intensity of their search. Personal characteristics as well as their assessment of labour market conditions, influenced individuals' search patterns. For example, Farias (1977:47) found that old people who became unemployed in Santiago, Chile spent less time looking for jobs because they considered that their employment opportunities were constrained by their age; age not only influenced the intensity of their search but also the type of search methods utilized as those old unemployed individuals only bothered to ask relatives and friends for information on vacancies.

Similarly, White's study (1980) indicates that age was the most powerful influence on individuals' search behaviour; he also found that ill health was another obstacle identified by individuals whose job search intensity was minimal.

Finally, adverse labour market conditions also affect the intensity of job search. Individuals who consider that their opportunities of finding a job are limited may decide to stop searching for jobs; mature workers (White, 1980:130) as well as unskilled workers (Farias, 1977) are more likely to do so than younger or skilled people respectively. Furthermore, the participation of unemployed people in the informal sector might also diminish an individual's effort to find a job as he has less time to look for jobs (Fields, 1975) or there is not much urgency to find work in the formal economy.

## CONCLUDING REMARKS.

The aim of this chapter was to look at the impact of unemployment and the responses of individuals and households to offset this impact. The discussion was based on a literature review of major investigations that have been carried out in developed and developing countries. The chapter was divided into two parts; in the first, some of the social effects of unemployment were looked at, while the responses of individuals and their households to unemployment were reviewed in the second part.

With respect to the impact of unemployment, emphasis was put on some aspects of its social dimension. These aspects reflect the deprivation and hardship faced by jobless people and their households, and also provide a framework for the analysis of their responses.

The bulk of the research covered in part 1 indicated that changes in health, family life, and education were associated with unemployment. However, despite the use of different analytical tools, researchers have, as yet, failed to identify the direction of causality between unemployment and these social phenomena. The reasons for this failure are twofold: firstly, the complexity of the subject since other variables rather than unemployment could have an impact on these social phenomena; secondly, the methodological limitations which are present in the different research methods used.

As already discussed - particularly in the section dealing with the impact of unemployment on health - different sources have been used to obtain data about social repercussions of unemployment on individuals and their households. For instance, the use of cross-sectional surveys has been favoured by sociologists. This type of survey is based on interviews that take place on a single point in time. Therefore, although some information on the impact of unemployment over a long period of time could be obtained by asking people to compare their situation throughout different stages of their unemployment, or when they were in work prior to becoming unemployed (ie, retrospective studies), time rigidity and the subjectivity of answers regarding changes over time, constitute limitations of cross-sectional surveys.

Other sources that have been used were time-series and area-based studies. These sources are based on the use of aggregate data. Through the implementation of multiple regressions, the studies are useful devices to identify relationships between variables at the macro level, for different years or across regions for a single point in time. However, these methods have limitations such as, for example, the use of data gathered from disparate sources which restricts its application for comparison purposes, and an analysis based on aggregate data which does not allow us to assess the nature and direction of causality between unemployment and other social phenomena.

Prospective studies have also been used to assess the impact of unemployment. This type of study examines the attitudes of workers during employment, announcement of redundancies, closure, and unemployment. Despite the fact that unlike the other sources

cited above, prospective studies solve the problems of time rigidity and aggregate data, their major limitation concerns the fact that these studies focus on effects of specific groups, industries, and areas. It is therefore, impossible to draw generalizations from the findings of prospective studies.

Last, but not least, longitudinal studies have also been used; these are similar to cross-sectional studies but differ from them in that the sample is re-interviewed at periodic intervals in order to find out whether and how circumstances change over a long period of time. One advantage of longitudinal studies is that they facilitate the identification of changes as unemployment lengthens. Another advantage is that, by focusing the analysis on the individual and/or the household, longitudinal studies are more likely than other methods to provide evidence on the nature of the causal relationship between unemployment and other social phenomena.

Due to the above mentioned methodological limitations, the evidence produced by social scientists regarding the impact of unemployment on individuals and households has been somewhat incomplete. So far, studies have failed to identify the long-term impact of unemployment and the nature of the causal relationship between unemployment and other social phenomena. Therefore, it seems that longitudinal studies will provide the most valuable data for the understanding of the impact of unemployment. Additionally, longitudinal studies could be complemented with sample surveys used as an initial step to explore the repercussions of unemployment at the individual and household level, and to assess the direction of causality between unemployment and other social

phenomena. Hence, through these type of studies, policy-makers will be able to identify the needs of people affected by unemployment and, consequently to elaborate policies aimed to assist them.

Finally, the literature on the responses of individuals and their households to unemployment was reviewed in part 2. The discussion highlighted the differences between responses to unemployment in developed and developing countries due to the peculiarities of these countries. It also showed that factors such as, the economic and social resources which households command, neighbourhood links, skills, the state of the labour market, and information on vacancies, account for both differences regarding responses to unemployment and differences in the impact which unemployment has on individuals and their households. Therefore, for a better understanding of the circumstances of people facing unemployment or other employment problems, it is necessary not to dissociate the investigation of unemployment from the people's responses to offset that impact.

The following case study about Costa Rica is a sample survey which attempts to do so by studying together, the effects which individuals associate with the occurrence of employment problems and their responses to counteract these effects.

PART II

EMPLOYMENT PROBLEMS IN COSTA RICA:

A CASE STUDY ON PERCEIVED EFFECTS AND RESPONSES.





### CHAPTER III.

#### THE ECONOMIC AND SOCIAL SITUATION OF COSTA RICA

1948-1985.

Since the establishment of the Second Republic in 1948, Costa Rica has enjoyed four decades of relative peace and democracy; changes of civilian governments have taken place through the exercise of universal suffrage. Moreover, the abolition of the army in 1949, among other events, have allowed successive governments to devote more than half of their budget to finance programmes in the fields of education, housing, health and social security and to provide social welfare benefits to the most needy sectors of the population.

However, the economic and social progress - which reached its peak in late seventies - was halted and reversed during early eighties; internal and external factors were responsible for this decline as will be seen later in this chapter. The aim here is to look at the causes of the crisis, its effects, the corrective measures taken to stabilize the economy and preserve the social order, and the impact of these measures. This review will provide the reader with background information on the social and economic situation of Costa Rica up to the point in time in which the case study was carried out (1985).

But before this is done, it is necessary to refer to the first twenty years of the Second Republic. For this purpose, the chapter is divided into four sections. The first deals with the origins of the Second Republic (1948-1963); the second looks at the process of industrialization and consolidation of the welfare state (1963-1979); in the third section the causes and effects of the economic and social crisis of the beginning of the eighties are reviewed (1980-1982); and finally, the fourth section looks at the policies which were implemented and their impact (1982-1985).

The periods covered were chosen in accordance with major events which have taken place since the establishment of the Second Republic. Furthermore, in each section information is given on the economic, labour market and social situation of the relevant periods. For brevity, the figures cited throughout the chapter are drawn from the sources which were used to compile the selected indicators which appear at the end of the chapter.

#### I. Origins of the Second Republic (1948-1963).

The civil war of 1948 in which the National Liberation Army led by Mr. Jose Figueres triumphed over the coalition formed by the government, the communists and the Church, brought about major changes in the political, economic and social structures of Costa Rica. To be able to understand the importance and assess the magnitude of these changes, it is necessary to refer briefly to the years which preceded the armed struggle.

During the thirties, governments were influenced by liberal doctrines and consequently opposed any type of state intervention.

The economy was based on agricultural products such as coffee and bananas; so it was heavily dependent on external markets and foreign investment (in particular for bananas as multinationals had a monopoly regarding production and marketing). On the social front, the family was seen as the major entity responsible to safeguard the welfare of individuals; therefore, in line with the non-interventionist principle adopted by the governments of that decade, few social programmes were implemented.

Unlike the thirties, the forties were years in which much attention was given to the welfare of individuals. The then president Dr. Rafael A. Calderon Guardia - despite the fact that he had been the candidate of the oligarchy for the 1940 presidential election - adopted a paternalistic approach and favoured the intervention of the state. During his term in office some of the most important social institutions were created and social legislation was enacted. The social security system (CCSS) and the University of Costa Rica (UCR) were established, the labour code was enacted and a chapter containing a set of social guarantees was included in the constitution.

Calderon's reforms were backed by the communist party and the Church but were questioned by the oligarchy, doctors and even groups of workers who considered their contributions to the CCSS to be a reduction in their salaries. In 1944 Teodoro Picado, backed by Calderon, won the elections and became president in a period characterized by social polarization, discontent among emergent educated middle-class people, and opposition from the oligarchy who in addition to their rejection of any form of state intervention were unhappy with the involvement of the communists

in the government. To make things worse, the Second World War restricted access for the agricultural products of Costa Rica to foreign markets and this in due course depleted the monetary reserves of the country, substantially reduced public investment and produced high levels of inflation (Rovira, 1980).

In addition to the economic problems and social discontent of the period, the government of Mr. Picado was corrupted and committed electoral fraud during the presidential elections of 1948; this with the intention of restoring Dr. Calderon Guardia - the losing candidate - back into power.

Thus, it is under these circumstances that the Civil War took place in 1948 and that, with the triumph of the National Liberation Army, the Second Republic was established. A provisional de facto government (Junta) ruled the country for 18 months and it is precisely during this period that important decisions aiming to redefine the role of the state and to modernize the state apparatus were taken. Among others, the writing of a new constitution to replace the old which was in existence since 1871; the abolition of the army; the nationalization of the banking system; the creation of the Central Bank; the imposition of a ten percent tax for the rich to finance social programmes for the poor, and the modernization and decentralization of the state apparatus through the creation of several autonomous institutions. In addition, a fourth constitutional power was established...the Supreme Electoral Tribunal (TSE). To the present, TSE responsibility has been to safeguard the legitimacy of the electoral process.

Having reviewed some of the events which preceded the 1948 civil war, the remainder of this section looks at the economic, labour market and social situation of Costa Rica during the first fifteen years of the Second Republic.

### 1.1. The economic environment.

Contrary to the expectations of the oligarchy which supported Mr. Jose Figueres and the National Liberation Army, the Junta adopted a "developmental approach" based on the active participation of the state in the running of the economy. The objective of the government was to modernize the economic apparatus and diversify the production of goods and services which as mentioned before, was mainly agricultural oriented. To accomplish these objectives, the government implemented several measures among which the most important were the nationalization of the banking system (1948) and the creation of the Central Bank (1950). These measures gave the government a monopolistic control over credit facilities, and this enabled the government to intervene and orientate the economic and social development of Costa Rica.

The participation of the government in the development process was also enhanced by the creation of several public institutions such as the National Production Council (CNP), the Costa Rican Electricity Institution (ICE), and the Costa Rican Tourist Board (ICT). The CNP was created to provide incentives for the production of agricultural products for the domestic market such as guaranteeing profit margins to producers and the control of prices of basic goods through the establishment of shops which sold directly to the public. The actions of the CNP were complemented

with the allocation of credit facilities to small and medium size agricultural producers.

The establishment of ICE was meant to provide the required infrastructure for the modernization and industrialization of the economy. Public investment increased and roads, bridges and airports were built to facilitate the transport of agricultural products and to integrate hitherto dispersed areas to the development process of the country. Last but not least, the ICT was created to promote tourism as part of government efforts to diversify the economy.

The policies implemented by the Junta and its successive governments improved the economic situation of the country as GDP increased on an annual average of 6.5 percent. Exports increased 4.4 percent during the period but the balance of trade showed a growing deficit from 9 million dollars in 1950 to 18.3 millions in 1962. Moreover, despite the efforts of the government to diversify the economy, its success was relatively small as coffee and bananas contributed to 40 percent of GDP and over 75 percent of export revenues in 1960 compared with 90 percent in 1950.

The decision of the governments to improve the physical infrastructure is illustrated by the fact that whilst investment increased between 1950 and 1960 on average 11.5 percent, the share of public investment in terms of total investment increased from 17.2 percent to 30 percent. However, it is important to mention that these figures might have further increased but for the fact that during the presidential period of the conservative

government of Mr. Mario Echandi (1958-1962), the government took a non-interventionist approach regarding the role of the state.

### 1.2. Labour market conditions.

The decision of the Junta to modernize and diversify the economy had an impact on the labour market. Educational facilities were improved and expanded, secondary and technical education as well as university studies were given priority; this to provide individuals with the necessary skills for the modernization of the economy. Moreover, the expansion of the internal demand for goods and services was perceived as an essential element in the strategy to achieve economic growth, therefore, working conditions were improved, salaries increased and starting with civil servants, a thirteen month bonus (to be paid by the employer every December) was established; also the minimum wage law was enacted.

The changes which took place in the labour market reflect the production structure of the period and the interventionist character of the state. The labour force increased between 1950 and 1963 on an annual average of 2.9 percent which incidently was lower than the average population growth of 3.7 percent. Employment experienced an average growth of 2.7 percent which was lower than that of the labour force; this explains the increase in unemployment from 4.1 percent in 1950 to 6.9 percent in 1963.

By looking at the structure of the employed labour force it is possible to visualize the economic changes which occurred during the first years of the Second Republic. As mentioned before, agriculture was the major economic activity as shown by the fact



that 54.7 percent of the employed labour force was involved in this sector and that 63.8 percent of the total labour force was rural. Agriculture remained the major employer throughout the period but by 1963, its share was reduced to 49.7 percent.

Finally, because of the interventionist character of the government the percentage of the labour force employed in the public sector more than doubled from 6.1 in 1950 to 13.3 in 1963. The expansion of services and the establishment of public autonomous institutions created job opportunities, especially for the emergent educated middle-class technocrats. This event marked the beginning of an era characterized by the direct participation of the state in the economic and social development of the country and the subsequent use of the public sector as a job generation mechanism.

### 1.3. The social situation.

During the fifties, the base was laid down for the promotion and consolidation of the social reforms of the previous decade. Priority was given to education, housing, and health. To illustrate this, around 24 percent of public expenditure was allocated to education for the expansion of secondary and technical schools and the establishment of new academic faculties as well as increases in the number of students enrolled at the University of Costa Rica (UCR).

Regarding housing, the Institute for Housing and Urban Settlements (INVU) was created in 1953. This meant the beginning of an

active participatory role of the government in the formulation, implementation and coordination of housing policies. Moreover, to complement these efforts Acueductos y Alcantarillados (AyA) was created in 1961 with the objective of improving and expanding water supply facilities.

Unlike education and housing, not much emphasis was given to health during the first ten years of the Second Republic. Pressure from medical trade unions opposed to the CCSS, the growing public debt and the identification of the CCSS with Calderon Guardia were factors which explained the attitude of the government towards health (Rosenberg, 1980:106). Poor people were not covered by the social security system (CCSS) but in 1961 Congress passed a law to universalize the coverage of health services; the impact of which is addressed in the following sections.

As a result of the efforts of successive governments, the social situation improved. Although there is no available information on levels of poverty for the period, other indicators show the magnitude of the improvement. For example, the illiteracy rate was reduced from 20.6 percent in 1950 to 15.6 percent in 1963. Investment in infrastructure expanded the coverage of educational programmes, so by 1963 as many as 81.4 percent of the population between 7-12 years were attending school. The increasing coverage was accompanied by improvements in the degrees of efficiency which indicate the percentage of students who complete primary education in a given year; for the years 1950 to 1960 the degrees of efficiency increased from 23 percent to 34 percent.

Despite the efforts made in the field of housing, housing remained a serious problem throughout the period; this is shown by the fact that while 21 percent of the houses were in poor condition in 1949, the situation got worse as the percentage increased to 34 percent in 1963; in addition, only 6500 houses were built during this period. Another problem was the lack of basic services as only 54.6 percent and 68.3 percent of the houses (1963) had electricity or water supply respectively.

Finally, despite the fact that the coverage of health services was limited by financial and political considerations, infant mortality was reduced from 89 per thousand in 1950 to 76 per thousand in 1963; moreover, there was a gain of 7.6 years as life expectancy increased between 1950 and 1963 from 55.7 years to 63.3 years.

## II. Process of Industrialization and Consolidation of the Welfare State: 1963-1979.

Having laid down the foundations for the modernization of the economy, the government implemented several economic reforms to achieve this goal. An import substitution model was adopted and with the participation of Costa Rica in the Central American Common Market (CACM) in 1963, the process of industrialization of the economy was initiated. Furthermore, these were years in which the state directly intervened in the economy through the creation of the public investment corporation "CODESA" to administer state companies.

Alongside the entrepreneurial state, the interventionist character of the state was enhanced by the creation of public autonomous institutions aimed to provide social welfare services and support community participation; these measures led to the consolidation of the welfare state. Moreover, despite the establishment of so called autonomous institutions, power was highly centralized as the majority of the members of the boards of directors of these institutions were appointed by the government (Vega, 1982).

The following discussion highlights the economic and social reforms which were implemented during this period and their impact.

#### 2.1. The economic environment.

The integration of Costa Rica to the Central American Common Market (CACM) in 1963 marked the beginning of a process of industrialization which was based on the model of import substitution. The aims of this model were (i) to offset and reduce the uncertainties proper of any economy whose exports are mainly based on primary goods such as coffee and bananas; and (ii) to replace products which were previously imported by producing them locally. The latter, in principle should have transformed the economy into a more self-sufficient one and should have led to economic growth through the use of more labour-intensive technologies and local raw materials.

The CACM was to provide the scenario for intra-regional trade; some of the policies implemented to support the process of in-

dustrialization were the Common External Tariffs Scheme against imports from countries outside the region; fiscal incentives for industrial development; and free trade zones for intra-regional trade. These policies - in conjunction with the efforts of the other Central American countries to substitute imports of consumer goods from outside the region- conformed a trade strategy oriented primarily to the markets of the region.

Notwithstanding the importance of the CACM, the fiscal incentives, tax exemptions on physical capital formation and credit facilities offered by the Costa Rican government to the industrial sector as well as the distortion of prices of factors of production caused by the protectionist measures adopted, not only gave rise to a weak and inefficient manufacturing sector but also discriminated against labour-intensive activities such as agriculture. This had negative repercussions on the economy as will be discussed in the following section.

The interventionist character of the state was reinforced during this period, since its participation in the financial sector was more intense than in the preceded period; the monopoly of the state on demand and savings deposits allowed it not only to allocate credit to target groups such as small and medium size producers but also to increase its share of domestic credit to finance the expansion of the public sector.

A major development was the emergence of the entrepreneurial state. The government created the public Investment Corporation "Codesa" in 1972. Codesa's objectives were to finance private projects and to establish companies in areas previously controlled

by the private sector and which were considered to be of public interest. Government ownership took place in diverse areas such as public transport, refining and distribution of oil, cement and fertilizer production, sugar refining, cotton, and aluminium. Through the control of the banking and insurance system, the government had considerable power to allocate a large share of resources towards public sector enterprises (Gonzalez-Vega, 1984:361).

These were years in which Costa Rica experienced an average annual economic growth of 6.2 percent - among the highest in Latin America. Disaggregating the data, GDP increased 8.9 percent in 1977 due to the coffee boom of that year but by 1979 the growth of the economy had slowed down and GDP increased just by 4.9 percent. Moreover, the emphasis put by the government on the process of industrialization and diversification of the economy is shown by the fact that after twelve years of participating in the CACM, the average annual growth of the manufacturing sector was 8.9 percent for the period 1970-1975 in contrast with an average 3.4 percent in agriculture. But, in line with the contraction of the economy in late seventies, growth in the agricultural sector dropped from 6.6 percent in 1978 to 0.5 percent in 1979 whilst growth in the manufacturing sector also dropped from 8.2 percent to just 2.7 percent.

The incentives given by the government as part of its import substitution strategy and the participation of the country in the CACM resulted in a greater share of the manufacturing sector of total exports; industrial products which in 1963 accounted for 5.5 percent of total exports increased their share to 30.6 percent in

1979. Total exports to the region increased on an annual rate of 2.7 percent for the same period but while Costa Rica experienced a trade surplus of 7 million dollars in 1964, by 1979, there was a trade deficit of 36.3 million dollars.

In addition to the fiscal incentives and credit facilities which successive governments provided for the modernization and diversification of the economy, public investment was increased to improve physical infrastructure and to provide the services which entrepreneurs required to increase production for the internal and external market. Vast amounts of money were spent on roads, electric power stations and telecommunications.

To illustrate this, public investment rose from 22,7 percent of total investment in 1962 to 31.7 percent in 1979. However, the cost of these projects was very high and hence had to be financed with foreign loans since national savings were not sufficient. Access to external assistance was facilitated by the excess of petrodollars which the international financial community was eager to lend. The outcome of this was a large increase in the external debt of the country from 148 million dollars in 1965 to 1,398 million dollars in 1979.

Last but not least, the establishment of Codesa and the consolidation of the welfare state resulted in a large public sector. Central government expenditures in terms of the GDP increased from 16.1 percent in 1965 to 20.6 percent in 1979. The protectionist measures which were implemented during this period resulted in an income-inelastic tax structure as shown by the fact that central government revenues which represented 12.1 percent of

GDP in 1965, increased to just 12.6 percent in 1979. Therefore, the deficit of the central government increased for these years from 4 percent to 8 percent. Furthermore, by 1979 the public sector's contribution to the GDP was 23.5 percent, 38.7 percent of investment and it received 42.5 percent of the credits allocated by the Central Bank. These figures show that despite the social and economic achievements obtained in this period, the interventionist character of the government gave rise to a public sector which was too big for the requirements of the country's small open economy.

## 2.2. Labour market conditions.

The consolidation of the welfare state and the emergence of the entrepreneurial state were factors which in conjunction with the participation of Costa Rica in the Central American Common Market, brought about major changes in the labour market. The growth experienced by the economy during this period generated more jobs than the number of people who joined the labour force; therefore, the underutilization of labour decreased as shown by the fact that unemployment which in 1973 was 7.3 percent went down to 4.9 percent in 1979. The establishment of state enterprises and the creation of several autonomous public institutions accounted for the reduction in unemployment as 59300 new jobs were generated by the public sector during the last five years of this period.

Regarding underemployment, the earliest available information dates from 1976 when the first General Household Survey was carried out; official statistics indicate that the percentage of workers who were underemployed between 1976 and 1979 increased



from 6.9 percent to 7.6 percent in spite of a reduction in open unemployment; probably this reflects the operation of the informal sector as a mechanism for survival though this hypothesis has not been tested.

The process of industrialization increased the contribution of the manufacturing sector to GDP from 14.3 percent in 1963 to 22 percent in 1979 but because of the economic measures taken by the government which favoured capital-intensive techniques, this was not accompanied by a substantial increase in the number of people who were employed in this sector (11.7 and 16.3 percent of total employed labour force respectively).

Additionally, the impact of the efforts of the government to diversify the economy and promote the process of industrialization was reflected in the reduction of the employed labour force in agriculture from 49.7 percent in 1963 to 28.7 percent in 1979. Several factors explain this, among others, the rural-urban migration which was encouraged by the urban concentration of industry, the expansion of a highly centralized public sector, and the tertiarization of the economy (Prealc, 1983).

Finally, the limited capacity of the manufacturing sector to generate more jobs, the government commitment to full-employment and its interventionist character transformed the public sector into a major source of employment. The importance of the public sector is shown by the increase of its share in terms of total employment from 13.3 percent in 1963 to 18.5 percent in 1979.

### 2.3. The social situation.

Alongside the industrialization and the regional integration pursued by the government, social equity was considered to be an integral element of the development strategy of the period. The quest for social equity was done through the intervention of the state as more social institutions were created and new social programmes were implemented - particularly during the seventies. These were years in which the welfare state was consolidated and its services expanded.

The commitment of the government to social progress is shown by the fact that over half of public expenditure had been devoted to education, housing, health and social welfare programmes; for example, social expenditure in 1979 was equivalent to 54.2 percent of total expenditure. Furthermore, the following revision of some of the institutions created indicate the magnitude of the efforts made by the government to improve the quality of life of the Costa Ricans.

First, with the intention of erradicating poverty, the government created the Institute of Social Assistance (IMAS) in 1971. IMAS was responsible for the implementation of social welfare programmes targeted to benefit the most needy groups of the society as well as for the coordination of the activities of non-governmental groups involved in the fight against poverty. The social welfare programmes which were carried out by IMAS in the seventies centred on the provision of public assistance in the areas of housing, nutrition, and vocational training.

Additionally, in 1975 the "Social Development and Family Allowances Programme" (DESAF) was implemented to back up existing social welfare programmes and to finance new ones. A social fund was established to support education, housing, health and nutrition projects, manpower training and community development. Other responsibilities of DESAF were to provide poor people with pensions on a non-contributory basis and access to health services.

Second, in terms of education, the Manpower Training Institute (INA) was established in 1965 to provide individuals with the skills required by the process of industrialization and other economic activities. Unskilled workers with low levels of productivity were targetted to be the main beneficiaries of INA. Moreover, the educational policies were aimed to universalize education services and promote the diversification of the educational system through the establishment of industrial and agricultural secondary schools.

Furthermore, the seventies witnessed the flourishing of the superior education as three new public and one private universities were established as well as several regional colleges associated to the University of Costa Rica - which up to 1970 was the only centre for superior studies. As part of the strategy to improve the quality of superior education and increase opportunities to study, the government set up the National Council for Technological and Scientific Research (CONICIT) and the National Commission of Loans for Education (CONAPE); the former to coordinate and promote research being carried out in the country and CONAPE to enable people without economic resources to study

at any of the universities by lending them money under favourable conditions.

Third, with respect to housing, INVU's programmes were affected in the sixties by budgetary cuts but in the seventies the government responded to a growing housing deficit by carrying out other housing projects such as those implemented by IMAS (low cost houses), and the National Directorate for Community Development (established in 1965); in addition, part of the social fund of DESAF was allocated to finance housing projects for indigents and basic services such as water supply and electricity were expanded with the collaboration of the Ministry of Transport and Public Works (MOPT).

Fourth, in terms of health, the most important action taken by the government was the universalization of social security benefits in early seventies. Another major event was the transfer of hospitals from the previous tutelage of the Ministry of Health and the Social Protection Juntas to the CCSS; this was done to facilitate the extension of the coverage of health services. As a result of these policies, the role of the Ministry of Health was reduced to coordinate and implement primary health care programmes. Nevertheless, the Ministry had an active participation in the health sector as it implemented preventive programmes such as (i) Rural Health, (ii) Community Health, (iii) Odontology and (iv) Nutrition. These programmes provided medical services to the poor and to people who lived in dispersed rural areas or urban marginal areas.

Last but not least, despite the interventionist character of the welfare state, efforts were made to promote social organizations and community participation. For that purpose, the National Institute for the Promotion of Cooperatives (INFOCOOP) was created. INFOCOOP assisted groups in the formation and running of cooperatives. The Institute for the Colonization of Land (ITCO) elped in the formation of cooperatives in rural areas and also provided them with land. Community participation was promoted and coordinated through the establishment of the National Directorate for the Development of the Community (DINADECO). Furthermore, the National Youth Movement was created to integrate young people into the development process of the country.

The consolidation of the welfare state improved the social condition of most Costa Ricans. The efforts to erradicate poverty were partially successful as the percentage of families who were under the poverty line decreased from 51.2 percent in 1961 to 23.6 percent in 1977. However, there was more than a doubling amongst those who were extremely poor (ie, salary lower than cost of primary basket of basic food) from 5.4 percent to 13.4 percent. Therefore, the social and economic policies of the government mainly benefited middle and upper sectors but failed in their battle against extreme poverty. This trend is also shown by the variations in income distribution which occurred during that period; whilst the share of the lowest decile in terms of total income was 2.6 percent in 1961, its share diminished to 1.5 percent in 1977; in the meantime, the share for middle sectors of the population increased from 34 percent to 47 percent.

The social progress which was achieved in this period is highlighted by the following indicators. Regarding education, the efforts of the successive governments to increase education opportunities are reflected by the fact that up to 16 percent of public expenditure was allocated for education; the results were impressive as between 1960 and 1979, coverage for primary, secondary and superior studies increased from 83.9 percent, 19 percent and 3.3 percent to 94 percent, 54.7 percent and 19.6 percent respectively. The expansion of the coverage was the product of heavy public investment which was done to increase the existing physical infrastructure; 1,374 primary and 175 secondary schools as well as several centres of superior studies were built during the period. Attention was also paid to the development of the necessary human resources, so training courses were established and by 1979 the number of primary and secondary teachers had increased from 7,632 and 1,805 (1960) to 13,535 and 6,255 respectively.

Moreover, government actions improved the educational level of most Costa Ricans; according to the population census of 1963 and 1973 the illiteracy rate dropped from 15.6 percent to 11.5 percent. Between 1963 and 1979 enrolment increased at an annual average of 2.3 percent and the percentage of dropouts was reduced from 4.6 percent to 4 percent. Significantly, the priority given by the government to technical and superior education paid off as between 1970 and 1979, the percentage of people of the secondary age cohort enrolled in technical schools increased from 8 to 19 percent while enrollment in centres of superior studies increased at an annual average of 8.4 percent.

Despite the efforts made by the government housing remained a major social problem. Although, the housing deficit (number of new houses needed) diminished from 128,297 houses in 1970 to 98,213 houses in 1979, the demand (deficit plus houses in poor condition) increased from 181,086 to 211,466 houses. Worst of all, the impact of the government attempt to eradicate slums was minimal as only 806 families out of 36,000 living in slums were provided with low cost houses by IMAS in 1979. Institutional financial constraints and limited access to credit of individuals from the lowest strata explained the failure of the government's efforts to deal with the problem of slums.

Notwithstanding the magnitude of the housing problem, there were some improvements in housing conditions resulting from increasing public investment in physical infrastructure; for instance, between 1963 and 1979 the percentage of houses with electricity increased from 54.6 percent to 71.7 percent while those with water supply registered an increase from 68.3 percent to 78.2 percent.

Finally, the achievements in health were outstanding. Life expectancy increased from 63 years in 1965 to 73 years in 1979; infant mortality decreased from 75 per thousand in 1965 to 21 in 1978. The reduction in infant mortality was a product of the increased supply of drinking water, the eradication of malaria, and the overall improvement in standards of living. Additionally, malnutrition (measured by height/age) was reduced from 16.9 percent in 1966 to 6.8 percent in 1978. This was obtained through the establishment of centres for the integrated assistance of infants (CINAI), centres for education and nutrition (CEN) and school

cafeterias; these centres were financed by DESAF and their coverage reached 93 percent of the poor families living in rural areas and 72 percent of those living in urban marginal areas (Mideplan, 1983).

The improvement in the health situation may in part be attributed to the universalization of social security and the expansion of primary health care had. The coverage of the CCSS reached 78 percent of the total population in 1979 while primary care programmes such as "Rural Health" and "Community Health" covered 60 percent of the rural population and 63.4 percent of the urban marginal population respectively. Moreover, with the aim to increase access to medical services, the government allocated on average 22 percent of total public expenditure to the health sector; physical infrastructure was increased - particularly for primary health care services - and attention was also given to human resources as shown by the increase in the ratio of doctors per ten thousand inhabitants from 4.8 in 1963 to 8.2 in 1979.

### III. The Crisis: 1980-1982.

The economic and social progress achieved in the preceding period came to an abrupt end in 1980. The economy needed to be readjusted, not only in response to structural problems but also in response to changing external conditions. Carazo's administration (1978-1982) - in line with its populist style - chose to postpone the readjustment of the economy. This decision led to the worst economic and social crisis ever experienced by the country. The following discussion puts into perspective the seriousness of the crisis by looking at its causes and effects.



### 3.1. The economic environment.

During this period the economy experienced an unparalleled crisis which had a negative impact on the population as a whole but in particular affected low and middle income groups, as seen later in this section. The crisis was the result of the convergence of three set of factors, (i) structural problems inherent in the import substitution model, (ii) external factors, and (iii) inadequate fiscal and monetary policies. The following discussion illustrates the impact of these factors.

#### (i) Limitations of the import-substitution model:

The economic growth which was achieved through the implementation of an import-substitution strategy had slowed down by late seventies because of the country's inability to compete in international markets. Protectionism and the distortion of prices of factors of production reduced the relative profitability of exports. In addition, exports were affected by exchange rate policies which overvalued the domestic currency. The contraction in exports limited the expansion of the manufacturing sector since it depended to a large extent, on imported inputs. Also, the political turmoil of Central America undermined the value of the protectionist strategy as regional markets shrunk.

Furthermore, the levels of government spending were too high as Oduber's administration (1974-1978) stimulated the expansion of aggregate demand on top of the exceptional increase in the purchasing power of the economy caused by the boom of coffee prices in 1977. As already discussed, the improvement in the standard of living of the population through government services relied

heavily on foreign assistance rather than on the implementation of fiscal policies (increase taxation) or monetary policies (to increase domestic savings), so the external debt of the country increased very quickly. The interventionist character of the government resulted in the expansion of the public sector which was accompanied by a fiscal deficit of unmanageable proportions.

(ii) External factors:

The first major external factor which negatively affected the balance of payments was the excess of liquidity of international financial institutions and the "short-term favourable" terms which lenders offered. The external debt increased from 1.7 billion dollars in 1980 to 3 billion dollars in 1982; that is, the equivalent of 114.5 percent of the GDP of this year. The increase in the level of borrowing was not matched by an increase in the ability to pay of the country's economy; the gap was further exacerbated by increases in interest rates.

Second, the "coffee boom" did not last as expected, so terms of trade deteriorated, and to make things worse, there was an increase in the price of oil. The relative terms of trade fell on aggregate by approximately 23 percent. To have an idea of the situation, in order to buy a barrel of oil in 1980 Costa Rica needed the export revenue of 166 kgs. of banana in contrast to 21.3 kgs. which would have been required in 1975.

Third, the world economic recession of 1980 had a negative impact on the Costa Rican economy due to the contraction of foreign trade and the protectionist practices of industrialized countries which limited the access of non-primary products to their markets.

The recession also affected the country's access to further foreign capital as the rise in interest rates increased the cost of servicing the debt. This, in turn, put more pressure on the balance of payments.

Fourth, the economic and political situation of Central America burdened the Costa Rican economy as it prompted the flow of capital of the country and discouraged foreign investment. Moreover, the regional conflict prevented the normal operation of intra-regional trade as shown by the fact that total export revenues to the CACM diminished from 266 million dollars in 1980 to 172 million dollars in 1982 (though Costa Rica registered a surplus of 59,3 million dollars). Furthermore, the contraction of the CACM and the protectionist trade policies of developed countries resulted in a fall in production and a reduction of 13.7 percent in total export revenues in 1982.

(iii) Internal factors:

The negative effects caused by external factors were exacerbated by the mismanagement of the economy by the Carazo's administration. Notwithstanding the fact that his government inherited an economy which, as seen, required some adjustments, Carazo's decision to postpone these adjustments accelerated the crisis. His response to the decline of the country's terms of trade was to increase foreign borrowing, print money, and expand domestic credit. As a result of these unfortunate policies the external debt not only increased in absolute terms but also the cost of servicing the debt increased as more foreign loans were given by private entities at higher costs than those of multilateral institutions. The printing of money produced inflationary pressures

which indirectly promoted the outflow of capital, and the expansion of domestic credit affected the institutional allocation of resources in favour of the public sector. Therefore, the private sector of the economy was further hit by a reduction in credit facilities.

Finally, the excess in the demand for credit and the country's limited access to foreign assistance due to its inability to comply with the terms of the agreement signed with the International Monetary Fund (IMF) in 1980, depleted the foreign currency reserves of the Central Bank and forced the country to suspend interest payments on the foreign debt in 1981. The overvaluation of the colon - artificially maintained by Carazo - produced excessive levels of imports and reduced the competitiveness of exports. The expectations of people regarding the inevitable devaluation of the currency put more pressure on the exchange rate and the level of prices. By the end of 1980, the rate of exchange to the dollar was freed and rapidly suffered a devaluation of 350 percent by the end of Carazo's administration. Changes in foreign exchange policies came rather late as the overvalued colon was responsible for the decline in exports and the flight of capital.

Having discussed the causes of the crisis, the following figures show the extent of the economic contraction experienced during this period. After a decade of steady economic growth, GDP increased by 0.8 percent in 1980 but fell 2.9 and 9.1 percent in 1981 and 1982 respectively; increases in consumer prices reached a record rate of 90.1 percent per annum in 1982 with an aggregate increase for the period of 141.2 percent; real wages diminished by 40 percent. The reduction in real wages had an impact on consump-

tion levels which on a per capita basis fell to lower levels than those of 1970; private investment suffered a reduction of almost fifty percent; government spending kept rising as shown by a public deficit which in 1981 was equivalent to 14.3 percent of GDP. This disequilibrium was mostly financed by printing money and borrowing from the international banking community. This in turn contributed to the rise in the inflation rate and the public debt to a record figure equivalent to four times total export revenues in 1982. Finally, the allocation of credit to the public sector increased from 27.5 percent of total credit in 1978 to 43.3 percent in 1982, in detriment of the private sector.

### 3.2. Labour market conditions.

The economic situation of this period had an unprecedented impact on labour market conditions as employment problems reached levels which were the highest ever registered. Moreover, because of the contraction of the economy and a growing inflation, average real wages fell by 40 percent between 1980 and 1982 (Mideplan, 1983). This fall in wages and the impoverishment of many households made people respond to the crisis by readjusting their participation in the labour market; but to appreciate fully the behaviour of these individuals, it is necessary first to look at the deterioration of labour market conditions.

The following figures show the magnitude of the changes which took place. Unemployment which on average was 5 percent during the seventies, increased to 9.4 percent in 1982. The incidence was far from being equally distributed among individuals as women, non-heads of households and youngsters were more affected by this

contingency; additionally, construction and manufacturing were the sectors with unemployment rates above the national average of 1982 (15.8 and 10.3 percent respectively).

Furthermore, unemployment was a major problem not only in absolute terms but also in terms of its duration; to illustrate this, for 62.8 percent of individuals who were unemployed in 1979, their spell lasted no more than one month and only 1.5 percent had been out of work for over a year, but by 1982 the situation had deteriorated to such an extent that only 31.2 percent were unemployed for less than a month while as many as 11.1 percent had been unemployed for over a year. Changes in the duration of unemployment indicate that increases in unemployment occurred as a result of deficient demand for labour rather than for frictional reasons. This is also reflected by the increase of hidden unemployment (discouraged workers) from 38,000 people in 1979 to 77,000 in 1982 (Prealc, 1983).

With respect to underemployment (expressed in terms of equivalent unemployment rates), there was an increase from 6.9 percent in 1979 to 16.4 percent in 1982. Combining these figures with those for open unemployment, the data from the GHS indicates that total underutilization of labour increased, between 1979 and 1982, from 12.5 percent to 25.8 percent.

According to this level of underutilization, there was a deficit of 198,086 jobs which needed to be created but since the rates of underemployment are expressed in terms of equivalent unemployment, the magnitude of the problem was greater as shown by the fact that in reality as many as 52.6 percent of the labour

force faced employment problems of one kind or another (Mideplan, 1983).

The impact of the economic recession on the labour market is also reflected in the changes which took place regarding the composition of employment. During the years of the crisis, labour force participation in terms of the population over twelve years (minimum age to enter the labour force) increased from 50.5 percent in 1979 to 51.9 percent in 1982; however, the percentage of fully employed people decreased for the same period from 35 percent to 22 percent.

In addition, the composition of employment worsened as the mix of employment shifted to the poorer paid jobs such as agriculture. The proportion of the labour force employed in agriculture increased from 27.4 percent in 1980 to 30.2 percent in 1982 while the contraction in manufacturing and construction activities caused a reduction in the proportion of the labour force employed in these sectors (from 16.3 and 7.8 percent in 1980 to 15.4 and 5.7 percent in 1982 respectively). There was also a shift in terms of employment in the private and public sector as the proportion of people employed in the private sector increased from 80.3 percent in 1980 to 82.3 percent in 1982. The fact that average wages were higher in the public sector also illustrates the worsening conditions in the composition of employment.

Besides the variations in the composition of employment in the formal sector, other mechanisms of labour market adjustments which took place - in response to the crisis - were the incorporation of secondary household members in the labour force and the growth of

employment in the informal sector and the rural traditional sectors. As already seen, there was an increase in labour force participation which probably reflects the incorporation of non-heads into the labour force in search of work to help offset the ill-effects of the crisis. The fact that heads of households continued their nearly full labour force participation (99.1 percent in 1979 and 99.8 percent in 1982), demonstrates that the increase in labour force participation rates was mainly caused by the incorporation of other members of households; this is also shown by the increase in the rates of participation of non-heads from 34.7 percent in 1979 to 39.1 percent in 1982 (Prealc, 1985).

Finally, the relative growth of the urban informal sector and the rural traditional sector (the informal sector defined as persons with low levels of education running or working in establishments with no more than five people; the rural traditional sector defined as unpaid family workers participating in agricultural activities) probably indicates the role which both had as mechanisms for survival. Between 1979 and 1982, employment increased in terms of the employed labour force in the informal sector from 27.7 percent to 29.2 percent and in the rural traditional sector from 14.5 percent to 15.2 percent.

To recapitulate, the adjustment of the labour market which took place during this period was mainly done through the insertion of secondary household members into the labour force and increases in employment in the informal sector, the agriculture sector, and to a lesser extent, the rural traditional sector.



### 3.3. The social situation.

The economic recession and the resulting labour market adjustments accelerated the impoverishment process of many households. A massive reduction in the level of growth of output, record levels of inflation, a fall in real wages, the devaluation of the currency, increasing numbers of people who were unemployed or underemployed, and a growing public deficit were factors which among others, pushed the majority of households below the poverty line (ie, level at which household income is at least equal to the cost of the basic basket of food and services which is defined by the National Statistics and Census Department). The percentage of poor households increased from 23.6 percent in 1977 to 59.6 percent in 1982. Moreover, the incidence of poverty was more acute in the rural area where 69.2 percent of the households were poor.

The deterioration in labour market conditions accelerated the impoverishment of many households as shown by the fact that the open unemployment rate for poor individuals was 14.2 percent (ie, well above the national average of 9.4 percent) and significantly, 42 percent of the heads of poor households were also unemployed (Rodriguez and Wurgaft, 1987). Furthermore, not even the increase in the level of employment in the agriculture sector helped individuals to mitigate the effects of the crisis in the rural area where 7 out of 10 households were poor precisely because agriculture activities are badly paid.

The decline in the economy and subsequent changes in the labour market increased the social costs of readjusting the economy. This is reflected in the increasing number of households

under the poverty level and in the worsening of social conditions. The latter is yet to be fully shown by the statistics because it usually takes more than the period covered in this section for some of these changes to emerge. However, bearing in mind "the time lag", the remainder of this section looks at some of the changes which took place in education, housing and health.

With respect to education, the resources allocated by the government decreased from 15.6 percent of total public expenditure in 1979 to 13.8 percent in 1982; these cuts curtailed investment in infrastructure as fewer educational centres were built than in previous years. High rates of literacy, enrollment and promotion were maintained but the percentage of dropouts amongst 13-15 year old individuals increased from 9.6 percent in 1979 to 10.2 percent in 1982 and significantly, one in four individuals of the same age cohort group living in rural areas left school to join the labour force; the latter is in line with the readjustments which took place in the labour market.

The housing situation was aggravated by the economic crisis. To start with, public expenditure on housing was more than halved from 3.4 percent of total expenditure in 1980 to just 1.5 percent in 1982. This occurred despite increases in the housing deficit from 98,213 houses in 1979 to 102,017 in 1982; in addition, the demand for houses (deficit plus rundown houses) experienced a larger increase and by 1982, as many as 57 percent of the population were either in need of a house or improvements in their houses.

There are several factors which explain the reasons for the deterioration of the housing situation. Among others, the growth of the population - in particular that of the labour force - produced an increase in the demand for houses. Alongside this, access to the financial housing market was restrained by rampant inflation, increasing costs of construction, the fall in real wages, and the increasing employment problems which many Costa Ricans faced. The situation was further aggravated by the fact that the supply of credit facilities was reduced as the National Banking System which diminished its allocation of credits by 69 percent in 1982; INVU reduced its investments by 31.3 percent; and IMAS built just one-third of the total low cost houses which it had built in 1979.

Finally, the crisis did not have an apparent impact on the health condition of the population, but it might well be expected that the full extent of the impact will surface in the long-term. Bearing this in mind, the following figures show some of the health changes which occurred during the years of the crisis.

With respect to health policies, government expenditure on health decreased from 25.1 percent of total public expenditure in 1980 to 17.7 percent in 1982 (ie, 11.3 percent of GDP to 6.3 percent of GDP). This reduction had an immediate effect on the coverage of primary health care; the coverage of the Rural Health programme was reduced between 1979 and 1982 from 60.9 percent to 57.2 percent while the coverage of the Community Health programme also diminished from 54.8 percent to 43.6 percent. Since these programmes deal with preventive medicine, it might be expected

that unless their coverage was maintained, the health condition of rural and urban marginal populations would deteriorate.

Another important change was the financial crisis of the CCSS which was caused by the mismanagement of the institution and its use as a major source of employment; the number of people employed by the CCSS increased from 16,000 in 1978 to 23,000 in 1982 (Miranda, 1988:51) without this being accompanied by an expansion of services provided. The situation of the CCSS posed a major threat to the health of the people as this institution is responsible for the administration of all the hospitals and the provision of curative medicine.

Thus, as briefly mentioned, the unfortunate policies of the government of Mr. Carazo endangered the health situation of the country by reducing the coverage of primary health care and by weakening the CCSS. Despite this, health indicators show improvements; for example, infant mortality decreased from 21 per thousand in 1979 to 18,9 in 1982. - though on a yearly basis there was an increase for the worst year of the crisis (1982) as infant mortality in 1981 was 17.9 per thousand. Malnutrition diminished as the percentage of cases in 1982 was half (4.1 percent) the figure for 1978 (Jaramillo, 1983:115) but in terms of underweight/births there was an increase from 6.4 percent in 1975 to 7.8 percent in 1982. Last but not least life expectancy did not change throughout the period.

IV. The Aftermath of the Crisis: Economic Stabilization and Social Compensation (1982-1985).

In the 1982 presidential election, the opposition candidate Mr. Monge was elected president for the period 1982-1986. The margin of his victory was the biggest ever recorded since the establishment of the Second Republic. As seen in the preceding section, the economy was in shambles and standards of living had drastically fallen; therefore, the massive vote which Monge received might be interpreted as a condemnation by the electorate of the political and economic misadventures of the Carazo administration (1978-1982) and a public demand for the recovery of the economy and the improvement in standards of living.

Monge's task was made more difficult by the fact that the credibility of the country with the international financial community was severely damaged by Carazo's rupture of relations with the IMF in 1981. Furthermore, as a result of the breaking off relations with the IMF, there was no more access to new foreign loans and the burden of the debt kept rising due to higher interest rates and the accumulation of debt payments which were in arrears. To make things worse, Carazo's response to the limited access to external savings was to expand aggregate demand through active monetary and fiscal policies (ie, printing money and real-locating credits in detriment of the private sector). The outcome, as already seen, was high levels of inflation, reduced savings and investments, a fall in industrial production, and a 350 percent devaluation of the colon which led to capital flight, a growing balance of payments deficit, a severe reduction in real wages,

high rates of underutilization of labour and a rapid process of impoverishment of the population.

Confronted with that sombre situation, Monge's administration first actions were aimed to restore internally and externally the credibility of the political system. Internally, it adjusted the economy with the implementation of short-term unpopular fiscal and monetary policies such as an increase in taxes, regulation of foreign exchange and tightening of the money supply to reduce inflation. To offset the social costs of the adjustment, a compensatory social programme was designed. Externally, the restoration of the country's credibility required the resumption of the service of the foreign debt; thus, negotiations with the lenders for the rescheduling of the debt was high on the agenda of the government.

The following discussion focus on the efforts made by Monge's administration to adjust the economy to the rapidly changing conditions of the world economy and to improve the quality of life to at least the levels which were enjoyed by the majority of Costa Ricans before the crisis of the beginning of the eighties.

#### 4.1. The economic environment.

As soon as the new government took office in May 1982, its priority was to initiate a programme of economic stabilization. For that purpose, a package of economic policies was elaborated; these policies were aimed to reduce the fiscal deficit, to regulate the foreign exchange market, to promote exports and to re-establish relations with the international financial community -

the latter being essential to obtain the foreign aid which the programme required.

Firstly, several measures were taken to correct the disequilibrium of public finances; among others, taxes were raised, government spending was reduced to manageable levels, and subsidies of basic goods and services were eliminated - though subsequent increases in prices were regulated for the most needy groups.

Secondly, as part of the efforts of the government to control inflation, a law was passed in Congress which conferred the Central Bank with the monopoly of foreign currency; foreign exchange controls were set up, exchange houses were eliminated and a unitary flexible exchange rate was established. The Central Bank periodically reviewed the adequacy of the exchange rate to avoid any overvaluation of the colon and subsequently prevent any further deterioration in terms of trade. Also, positive real interests were re-established by the Central Bank to stimulate investments, savings and prevent further capital flight.

Thirdly, the economic crisis and the decline in intra-regional trade persuaded the government to review its export strategy. The model of import substitution - based on protectionist fiscal policies - did not give rise to the development of a competitive industrial sector. Thus, faced with a regional economic contraction and limited access to third markets, the government provided incentives such as exemptions and tax holidays, in particular for the production and export of non-traditional goods. Additionally, with the help of the USAID agency, the Ministry for Exports was

created to promote exports and to provide assistance to local and foreign investors.

Fourthly, in an attempt to halt the fall in real wages, the government established a temporary compensatory wage policy; wage increases were indexed against changes in the cost of a basic basket which included a limited amount of goods and services. This mechanism was to operate as a complement to other wage policies as long as the inflation rate was over 15 percent per annum.

Last but not least, the re-establishment of relations with the international financial community was given priority as the government realized that none of its efforts would succeed without foreign aid. This is shown by the fact that for the first time in the history of the country, a minister was appointed with the sole responsibility of dealing with the external debt. The economic and social measures implemented by the government were part of the agreement signed with the IMF in December, 1982, an agreement which restored the credibility of the country.

Monge's austerity policies improved the economic situation of the country. Economic growth was achieved, GDP increased as much as 7.5 percent in 1984. Growth slowed down to 1 percent in the pre-electoral year of 1985 due to the high cost imposed by the debt service (equivalent to 52.6 percent of export revenues) and a poor export performance resulting from negative terms of trade of primary commodities such as bananas and sugar, and the accumulation of a large unpaid trade surplus with its Central American partners. This surplus forced the Central Bank to restrict exports to the region to volumes which matched those of regional imports.



Fiscal policies reduced the government budget deficit; the series of tax reforms which were implemented increased total government revenues which in due course helped reduce the central government public deficit from 3.6 percent of GDP in 1983 to 2 percent in 1985. The tightening of money supply reduced inflation from 90.1 percent in 1982 to 15 percent in 1985. Exchange rate controls restored confidence on the currency and with the reestablishment of real positive interests rates, the hitherto flight of capital was reversed and some capital was repatriated and invested; capital formation increased by 18 percent in 1985. Real wages, between 1982 and 1985, increased on average by 55 percent but were yet to reach the levels of 1979.

The efforts of the government to increase exports - particularly of non-traditional products - paid off as there was an increase of exports of non-traditional products from 147 million dollars in 1983 to 210 million dollars in 1985. The increase reflects the impact which the incentives, given in the form of tax holidays and the assistance provided by the Ministry for Exports had on the production and export of non-traditional products. The establishment of a duty free sales scheme by the United States of America known as "the Caribbean Basin Initiative" (CBI) also accounted for the increase in non-traditional exports.

Finally, the goals of the government to adjust and stabilize the economy would not have been achieved without foreign assistance. As already mentioned, the policies which were implemented were part of the agreement signed with the IMF; the agreement restored the country's international credibility and consequently, foreign loans and grants were given to Costa Rica. The United

States of America provided up to 75 percent of all the foreign loans obtained by Costa Rica during this period.

Nevertheless, the political cost of restoring relations with the international financial community was high; not only the external debt kept rising (from 2.9 billion dollars in 1982 to 3.7 billion dollars in 1985) but some conditions had to be met by the country to obtain additional external assistance. To illustrate this, in exchange for 500 million dollars (1983-1985) given by the USAID agency - as part of its Economic Support Fund Assistance - to help Costa Rica ease its balance of payments situation, Monge's government had to agree to privatize the majority of the enterprises of CODESA; this agreement practically ended the era of the "entrepreneurial state" (established by the official party in early seventies).

The conditionality is also illustrated by the agreement signed with the World Bank to implement the "Structural Adjustment Programme" (SAL I). This programme consisted of the implementation of a set of global and sectoral measures designed to attain a sustainable rate of economic growth, primarily based on the development of an efficient and dynamic export-led private sector. Therefore, the government - under this agreement - had to provide more credit facilities and tax exemptions to the private sector and indirectly reduce its interventionist character. It is still too early to be able to draw any conclusion regarding the impact of the cross-conditionality attached to the increasing dependence of the country on foreign aid but it seems that the balance is shifting towards less state intervention, the dismantling of the

entrepreneurial state and a reduction in the size of the public sector in favour of the expansion of the private sector.

#### 4.2. Labour market conditions.

In an effort to reduce the social costs of the economic crisis and improve labour market conditions, Monge's administration implemented several programmes; these programmes were targeted to assist people facing employment problems. The programmes were aimed to provide them with assistance in the form of money or in kind, training and access to information on vacancies and were financed by DESAF and an emergency social fund which was part of the Social Compensation Plan (to be reviewed later in this chapter).

The programmes implemented were (i) food for work, (ii) job generation schemes, (iii) extension of employment exchange services, and (iv) public workshops.

First, with respect to "food for work", 5,277 individuals received basic food packages in exchange for community work; the beneficiaries were indigents who lived in the poorest districts of the country, mainly in the rural area. The impact of the programme was limited as the work usually lasted no more than 3 months, therefore, the chances were that the beneficiaries joined the army of unemployed people once the benefit finished.

Second, the Ministry of Labour and Social Security (MTSS) established a job generation scheme under which credit facilities were given to cooperatives and community associations for productive projects; also, subsidies equivalent to half the minimum wage

were given to unemployed people who participated in community work. During the first two years of Monge's administration, the programme assisted 1,467 individuals but the impact of it was limited by the duration of the benefit (3 to 6 months) and the amount of money received by the beneficiaries, which was well below subsistence levels.

Third, the MTSS expanded the coverage of the services of the employment exchange unit (known as "la bolsa"). In 1982 there were only three bolsas but, thereafter, more were established in the 7 provinces of the country. However, the effectiveness of the programme was minimal because of the attitude of employers and employees who treated la bolsa as a last resort.

Fourth, public workshops were established to improve the working conditions of the informal sector. Vocational training was provided on a voluntary basis for short periods of time; the schedule was flexible and the training followed the form of "on-the-job-training". This programme was oriented towards marginal groups and during the first two years, 3,260 individuals were trained.

For the first three years of Monge's government, labour market conditions improved. It is difficult to know the extent to which the programmes cited above accounted for the recovery of the labour market but judging from their limited coverage, it seems that the improvement was mainly due to the stabilization of the economy. The following figures illustrate the adjustments of the labour market.

Regarding the underutilization of labour, between 1982 and 1985, open unemployment rates decreased from 9.4 percent to 6.8 percent; the reduction in the number of jobless people was accompanied with changes in the duration of their unemployment as shown by the fact that 19.1 percent unemployed people had been out of work for more than a year in 1983 but by 1985, the proportion had decreased to 10.6 percent. Underemployment also was reduced from 16.4 percent in 1982 to 8.5 percent in 1985; consequently the underutilization of labour decreased from 25.8 percent to 15.3 percent.

Another sign of improvement in the economy was a reduction of the rates of labour force participation in terms of total population from 35.9 percent in 1982 to 35.1 percent in 1985. As already explained, participation rates increased during the crisis mainly due to the incorporation of secondary household members into the labour force to offset the hardship caused by the economic contraction. Therefore, the reduction in the rates of labour force participation might indicate that with the reduction of unemployment and underemployment and rising real wages, fewer households had to resort to the incorporation of other members into the labour force.

Finally, the composition of employment experienced some changes; the agricultural share of total employment continued to fall from 30 percent in 1982 to 27.3 percent in 1985 as workers moved away to better-paid jobs. The share of industry shows a small increase while commerce and services were the most dynamic sectors in terms of employment; this probably reflects an expansion of informal activities. The available information shows that

the share of the informal sector in terms of the total employed labour force increased from 29.2 percent in 1982 to 29.9 percent in 1983 though, thereafter, reductions in the percentage of individuals who were either self-employed or unpaid family workers might indicate a reduction in the size of the informal sector. Public employment also increased from 17.7 percent in 1982 to 19.1 percent in 1985. To recapitulate, the changes which took place in the composition of employment by economic sectors and the growth of public employment represent a shift towards better paid jobs; that is, a sign of improvement in labour market conditions.

#### 4.3. The social situation.

The impoverishment of many families and the social costs involved in the implementation of the economic stabilization programme persuaded the government of the need to formulate a compensation plan. The aim was, in the first instance to halt the deterioration in standards of living and, thereafter, to improve the welfare of the people. The government implemented the "Social Compensation Plan" (Plan) in 1982; the Plan consisted of the establishment of an emergency social fund to finance food programmes, job generation schemes, construction of low cost houses, distribution of land, and the expansion of credit facilities for cooperatives and other labour organizations. The Plan was to last for three years and its financial resources came from the imposition of a 2 percent surcharge on import taxes.

Under the plan, food aid packages were distributed to marginal families in rural and urban areas. Approximately 70,000 food packages were given for periods of three months per household.

This effort was complemented with the implementation of the programmes of "hot meals for children" under the age of six years (CEN-CINAI) and "school meals" (87,000 and 375,000 beneficiaries respectively in 1985). In addition, 6,000 low cost houses were built for poor people and small plots of land were distributed to 230 families (ie, 7 percent of the total demand for land).

The stabilization of the economy, the betterment of labour market conditions, the implementation of the Social Compensation Plan and an increase in social expenditure (from 7.3 percent of GDP in 1982 to 8.1 percent in 1985) improved standards of living. The percentage of families under levels of poverty decreased from 59.6 percent in 1982 to 36.7 percent in 1985. Regarding education, in spite of a reduction in public expenditure, educational facilities were built and, consequently, the coverage of education services reached 92 percent of the 7-12 years old population; the illiteracy rate diminished to 6.9 percent in 1985 but a question mark remained in terms of the quality of the education system as examinations were carried out in mathematics and literature for those finishing primary school to assess their academic level and only 23.6 percent and 15 percent respectively passed these exams (Mideplan, 1987).

With respect to housing, public expenditure on housing increased from 1.5 percent to 2.4 percent (1982-1985) but the housing deficit increased by 10,000 houses to 113,000. However, there were some improvements such as the reduction in the number of households living in slums and the expansion of basic services. According to the housing census of 1984, 9,174 households lived in slums in contrast to the 36,000 households which lived under

similar circumstances in early eighties. The composition of ownership also changed as shown by the fact that in relation to the census of 1973 ownership of houses increased from 60.3 percent to 65.8 percent; in addition the percentage of houses with overcrowding problems diminished from 16.1 percent to 6.9 percent. Other improvements were achieved in terms of the provision of basic services such as water supply and electricity which, in terms of the percentage of houses with access to these services, increased between 1979 and 1984 from 84 percent and 71.4 percent to 89 percent and 83.1 percent respectively. Despite the efforts of the government, housing remained a major social problem.

Finally, the government carried out important reforms in the health sector. To start with, the financial crisis of the Social Security System (CCSS) was dealt with by increasing the contributions of employers and employees; the contribution of the state was reduced in exchange to the cancellation of its debt with the institution. The number of medicines which were regularly prescribed were reduced from 1,400 to 350 to reduce expenditure (Miranda, 1988). A second stage was to integrate the medical services provided by the CCSS (curative medicine) and the Ministry of Health (primary health care); this was done aiming to rationalize costs, improve efficiency, expand the coverage of health services and ultimately, to move towards the establishment of a national health system.

The administrative reorganization which took place in the health sector and the integration of medical services brought improvements in the health conditions of the population. To illustrate this, in line with the decision to universalize the



coverage of the CCSS, the percentage of the population covered increased from 78 percent in 1982 to 81.4 percent in 1985; the coverage of the community health programme also increased from 43.6 percent (1983) to 46.5 percent (1985). Furthermore, there was an expansion of human resources as more doctors and dentists joined the sector and also the number of hospital beds increased. The measures taken improved the health condition of the population, for example, life expectancy reached 74 years in 1985, infant mortality decreased to 17.6 per thousand, and with the help of the food programme nutrition levels improved as indicated by the reduction of the percentage of children with low height levels from 15.5 percent in 1982 to 11.3 percent in 1985.

#### SUMMARY.

During the first thirty years of the Second Republic, Costa Rica enjoyed a period of unparalleled economic and social progress. However, the crisis of 1980 reversed the trend and despite the efforts made by the government of Mr. Monge, standards of living in 1985 were yet to reach the levels obtained in the seventies. The recent economic and social history of Costa Rica was reviewed in this chapter; four periods were identified, each of them referring to different stages in the development process of the country. The remaining of this chapter summarizes the highlights of each period.

The first period covered the origins of the Second Republic and its achievements up to 1963; these were years characterized by an active state participation in the economic and social develop-

ment of the country. The nationalization of the banking system and the establishment of the Central Bank were powerful instruments used by successive governments to modernize and diversify the economy. Small and medium size producers were given access to credit facilities and working conditions for salaried employees were improved. New public institutions were established, public investment increased and the physical infrastructure of the country was improved. By and large, the economic and social circumstances of Costa Ricans improved and the bases for the industrialization of the economy and the establishment of the welfare state were laid down.

The second period might be seen as "the coming of age" of the Second Republic. The participation of Costa Rica in the CACM and the adoption of an import substitution economic strategy brought changes in the structure of the economy. Emphasis was given to the process of industrialization and the expansion of the tertiary sector. The government had a direct involvement in the economy, not only through the nationalized banking system but also through the establishment of a public investment corporation (CODESA) which gave rise to the short-lived era of "the entrepreneurial state".

Besides the economic policies which were carried out by successive governments, these were years in which the welfare state was consolidated; several social public institutions were created and important social reforms such as the universalization of health services and the family allowances programme (DESAF) were implemented. The expansion of the public sector was accompanied by

a centralization of power on the hands of the central government - though some efforts were made to promote community participation.

As a result of the economic and social measures adopted during this period, the country experienced levels of economic growth which were among the highest in Latin America, a betterment in labour market conditions, and a substantial improvement in standards of living.

The third period covered the years of the crisis. Despite the progress obtained in the seventies, by the end of that decade the economy required some adjustments. However, the government of Mr. Carazo chosed to postpone them and instead expanded the aggregate domestic demand by printing money and borrowing intensively from abroad. The limitations of the import substitution model; external factors such as increases in interest rates, deterioration of terms of trade, protectionism form developed countries, and the disruption of the CACM; and the implementation of inadequate fiscal and monetary policies converged to cause the most severe crisis ever experienced by the country.

The years of the crisis were characterized by huge reductions in national output, high levels of inflation, a reduction in real wages, capital flight, a record devaluation of the currency, reductions of savings and investments, an increase in the external debt, rupture of relations with the international financial community, high rates of underutilization of labour, an increase of employment in the informal sector and an acceleration in the process of impoverishment of the population.

Finally, the fourth period comprised the years 1982 to 1985. During this period, the government of Mr. Monge (1982-1986) implemented a stabilization economic programme and a social compensation plan. The former - aimed to halt the economic decline - included measures such as increases in taxes, elimination of subsidies, regulation and control of the foreign exchange market, and incentives for the expansion and export of non-traditional products. Relations with the international financial community were re-established and Costa Rica resumed the payment of its external debt. The Social Compensation Plan was implemented with the objective of reducing the social costs attached to the adjustment of the economy. The plan financed food, housing, employment, and land programmes.

By 1985, the country was presenting the following picture: the population was 2.6 million; the economy was experiencing growth though it had slowed down to 1 per cent; the inflation rate was kept under control at 15 per cent; the trade balance showed a deficit of 180 million dollars whilst trade with Central American countries produced a surplus (but it was 30 per cent less than that of the preceding year); the rates of unemployment and under-employment - as a proportion of the labour force - were 6.8 per cent and 8.5 per cent respectively. The social situation had improved with the number of poor families diminishing from 60 per cent (1982) to 37 per cent (1985); infant mortality was 17.6 per thousand; life expectancy had reached 74 years and the coverage of the programmes of Community Health Care and Rural Health Care was 46.5 per cent of the urban population and 61.7 per cent of the rural population, respectively.

Nevertheless, despite the improvement in the economic and social situation of the country, the measures adopted by Monge's government heavily relied on external assistance; thus between 1982 and 1985 both the size of the external debt and the cost of servicing it increased (from 2.9 billion dollars and 13.9 per cent of export revenues to 3.7 billion dollars and 52.6 per cent of total export revenues respectively). In addition, the expansion of international credit was accompanied by conditions such as the gradual privatization of state enterprises, a reduction in the size of the public sector and the level of public expenditure, the latter in detriment of important social programmes. These conditions could be seen as elements leading to a redefinition of the role of the state, the outcome of which is yet to be seen. Therefore, despite the relative success of Monge's policies to stabilize the economy and improve standards of living, it seems that the dependency of the country on external aid and the increasing external debt (four times total export revenues in 1985) are factors which will continue conditioning the development of the country.

SELECTED INDICATORS.

TABLE 1.

Average Annual Rates of Growth in Real Terms of Selected Production Indicators, 1960-85(%).

Year	GDP	GNP	GNI	GDP			
				Agric.	Manuf.	Const.	Comme.
1960-65	5.1	N.A	N.A	3.2	9.2	5.8	5.0
1965-70	7.0	7.0	6.4	8.1	9.3	4.3	6.7
1970-75	6.0	5.8	3.4	3.4	8.9	10.9	3.0
1975-80	5.4	4.7	5.8	1.8	6.0	9.4	6.2
1974	5.5	6.4	-1.5	-1.7	12.7	7.8	-0.7
1975	2.1	1.1	3.8	3.0	3.2	5.7	-4.2
1976	5.5	5.1	12.5	0.5	5.8	20.8	8.9
1977	8.9	9.2	18.3	2.2	12.7	3.9	17.9
1978	6.3	5.5	0.2	6.6	8.2	5.8	4.2
1979	4.9	4.3	-0.6	0.5	2.7	19.3	4.1
1980	0.8	-0.4	-10.2	5.1	-0.5	-21.7	-10.6
1981	-2.9	-4.0	-10.2	5.1	-0.5	-21.7	-10.6
1982	-9.1	-10.1	-11.6	-4.9	-11.4	-32.6	-11.7
1983	2.9	N.A	6.7	4.0	1.8	4.7	3.2
1984	7.5	N.A	3.0	-2.9	3.2	1.3	2.7
1985	1.0	N.A	3.0	-2.9	3.2	1.3	2.7

GDP: Gross Domestic Product

GNP: Gross National Product

GNI: Gross National Income

Notes: Rates of growth are on the basis of values in constant 1966 prices.

Sources:

1- Ministerio de Planificacion Nacional y Politica Economica (1987); Estructura Economica de Costa Rica en cifras:1978-1986; Costa Rica:Mideplan.

2-Banco Central de Costa Rica; Cuentas Nacionales de Costa Rica; (several years)

3-Victor Hugo Cespedes, Claudio Gonzalez et al. (1983); Costa Rica: Una Economia en Crisis; Costa Rica: Editorial Studium.

TABLE 2.

Average Annual Rates of Growth, in Real Terms of Selected Macroeconomic Variables (%).

Year	Per capita GDP	Per capita Consump.	Private Consump.	Govt Consump.	Fixed Inv and stock
1960-65	1.4	N.A	N.A	N.A	N.A
1965-70	4.4	3.3	6.4	5.3	8.4
1970-75	2.7	0.8	3.2	5.4	6.2
1975-80	2.5	2.5	5.2	5.8	12.6
1974	3.4	N.A	5.2	8.4	8.6
1975	1.1	N.A	2.2	5.7	-8.6
1976	6.1	N.A	4.2	7.8	26.5
1977	3.5	10.7	13.6	8.8	22.8
1978	2.2	5.6	8.4	3.7	-0.4
1979	-2.0	-0.3	2.4	7.7	9.3
1980	-7.1	-4.5	-1.8	1.5	7.0
1981	-5.1	-11.3	-8.5	-5.6	-37.7
1982	-11.9	-12.6	-9.8	-2.8	-25.5
1983	0.2	2.8	5.6	2.7	33.1
1984	5.2	4.9	7.2	N.A	10.9
1985	-1.6	1.5	4.3	N.A	10.1

Note: values in cte 1966 colones.

Sources: Ibid table 1

TABLE 3.

Proportions of GDP for Selected Economic Sectors (%)/ Real Terms.

Year	Agriculture	Manufact	Central Govt.
1957	24.4	14.1	12.1
1960	25.2	13.8	11.3
1965	22.9	16.7	10.8
1970	24.1	18.6	9.9
1974	21.0	21.0	10.2
1975	21.2	21.2	10.3
1976	20.2	21.3	10.1
1977	19.0	22.0	9.8
1978	19.0	22.4	9.7
1979	18.2	22.0	9.7
1980	18.0	22.0	10.0
1981	19.3	22.4	10.4
1982	20.2	20.9	11.2
1983	21.0	20.4	11.1
1984	N.A	N.A	N.A
1985	19.6	22.0	9.7

Sources: Same as table 1.

TABLE 4.

Annual Rates of Prices Changes, Exchange Rates and Real Wages

Year	WPI	CPI	Real Wage	Exchange Rate
1950-55	-1.4	2.0	N.A	6.63
1955-60	0.4	1.5	N.A	6.63
1960-65	0.3	1.3	N.A	6.63
1965-70	4.8	3.1	N.A	6.63
1970-75	17.4	14.7	N.A	8.54
1975-80	13.3	9.7	N.A	14.40
1974	38.2	N.A	-4.4	8.54
1975	14.0	20.5	-2.6	8.54
1976	7.2	4.4	5.6	8.54
1977	7.4	5.3	6.4	8.54
1978	9.4	8.1	7.2	8.54
1979	16.1	13.2	6.0	8.54
1980	23.7	17.8	-3.9	14.40
1981	65.3	37.0	-6.2	21.18
1982	108.2	90.1	-29.0	39.77
1983	26.2	32.6	2.3	41.56
1984	7.6	11.9	21.9	44.40
1985	10.4	15.0	4.3	50.46

WPI: Wholesale Price Index (base year 1966)

CPI: Consumer Price Index (base year 1975)

Exchange Rate: Colones per U.S Dollars at the end of the year.

## Sources:

1- Gonzalez, C. (1984); Fear of adjusting: The social cost of Economic Policies in Costa Rica in the 70s; in Schulz, D.E. and Graham, D.H. (eds.); Revolution and Counterrevolution in Central America and the Caribbean; United States: Westview Press.

2-Same as table 1.



TABLE 5.

Selected Fiscal Credit and Monetary Indicators.

Year	Ratios with Respect to GDP.					Money Sup. M2	Proport Public Sector Credit
	Central GVT			Public Sect. Deficit			
	Expend.	Reven.	Deficit				
1950	N.A	N.A	N.A	N.A		N.A	23.1
1955	N.A	N.A	N.A	N.A		20.5	5.9
1960	N.A	N.A	N.A	N.A		22.2	12.7
1965	16.6	12.1	4.0	N.A		22.9	14.5
1970	15.1	13.5	1.6	N.A		24.4	19.1
1974	17.6	14.6	3.0	N.A		30.0	19.6
1975	17.5	13.5	4.0	N.A		33.0	20.5
1976	19.2	13.0	6.2	N.A		35.8	23.0
1977	17.7	13.2	4.4	N.A		36.8	26.6
1978	19.6	13.6	6.0	9.0		41.6	27.5
1979	20.6	12.6	8.0	11.9		57.3	42.5
1980	21.8	12.7	9.1	13.9		42.4	44.3
1981	16.6	12.5	4.1	14.3		54.9	44.7
1982	16.6	13.2	3.4	9.9		51.0	43.3
1983	20.1	16.6	3.6	N.A		50.0	51.9
1984	19.8	16.9	2.9	N.A		47.0	51.4
1985	19.0	17.0	2.0	7.2		46.0	47.7

Sources: Same as table 4.

TABLE 6.

Balance of Payment and Public External Debt. (millions U.S dollars and % when stated).

Year	Exp.	Impor.	Trade	Terms of trade(a)	Annual Rate of trade of terms	Public Ext. Debt	Debt as % expt
1950	54.0	46.0	8.0	124.9	N.A	29.0	
1955	81.0	87.0	-6.0	119.3	-0.9%	23.0	-
1960	84.0	110.0	-26.0	101.1	-3.3%	28.0	-
1965	112.0	178.0	-66.0	101.3	0.0%	148.0	-
1970	231.0	317.0	-86.0	87.2	-3.0%	164.0	-
1974	440.0	720.0	-280.0	76.5	-12.5%	379.0	-
1975	493.0	694.0	-201.0	79.4	3.8%	511.0	-
1976	593.0	770.0	-178.0	94.5	19.0%	646.0	-
1977	828.0	1022.0	-194.0	114.7	21.4%	834.0	-
1978	865.0	1166.0	-301.0	101.1	-11.9%	1044.0	-
1979	865.0	1397.0	-462.0	92.4	-8.6%	1398.0	-
1980	934.0	1524.0	-522.0	91.9	-0.5%	1735.0	-
1981	1008.1	1208.2	-200.1	78.7	-14.4%	2743.0	-
1982	870.4	893.2	-22.8	72.5	0.6%	2981.8	13.9%
1983	872.6	987.8	-115.2	69.8	3.1%	3427.2	85.3%
1984	1006.4	1093.7	-87.3	71.5	3.3%	3523.5	37.2%
1985	930.4	1111.2	-180.8	69.7	6.3%	3708.8	52.6%

(a)-Terms of trade index= Price of export

..... X 100 for a given year

Price of Imports

(b)-After the re-establishment of relations with the international banking system

## Sources:

1-Ministerio de Hacienda (1987); Information Memorandum; Costa Rica: Ministerio de Hacienda.

2-Same as table 4.

TABLE 7.

Balance of Trade with Central American Countries\*.  
(Thousand Dollars)

Year	Export	Imports	Trade Balance.
1958	1784.1	1032.9	751.3
1962	1720.3	3308.1	-1587.7
1963**	13944.9	3817.3	127.6
1964	15388.6	8284.5	7104.1
1965	18231.7	14691.7	3540.0
1966	25156.8	23155.8	2001.0
1974	104266.1	114020.8	-9754.7
1975	107226.0	114720.4	-7494.4
1976	130653.2	135632.8	-4979.6
1977	173802.2	167893.8	5908.5
1978	178635.7	202796.8	-24161.1
1979	175433.6	211691.9	-36258.2
1980	265961.8	218947.9	47013.8
1981	238023.0	152293.0	85730.0
1982	171666.0	112390.0	59276.0
1983	200128.0	120165.0	79963.0
1984	171440.0	119879.0	56561.0
1985	139565.0	99838.0	39727.0

\*-Refers to CR commercial relations with Guatemala, Honduras, El Salvador and Nicaragua.

\*\*-Costa Rica joined the Central American Common Market in 1963

## Sources:

1-Ofiplan (1982); Evolucion Economica de Costa Rica:1950-80; Costa Rica: Ofiplan..

2-Secretaria Permanente del Tratado de Integracion Economica Centroamericana (SIECA); Banco de Datos; Guatemala: SIECA.

TABLE 8.

Distribution of Exports by Main Products (percentages).

Year	Coffee	Banana	Cocoa	Other Agric.	Meat	Sugar	Industrial.
1950	32.9	58.2	3.7	N.A	0.0	0.0	0.0
1955	46.1	41.0	7.3	2.9	0.0	0.7	2.0
1960	53.9	24.0	6.9	N.A	5.1	2.2	0.0
1965	41.7	25.3	2.0	6.6	2.9	4.2	17.3
1970	31.6	28.9	0.8	3.4	7.8	4.4	23.1
1975	19.6	29.2	1.1	6.1	6.5	9.8	27.7
1980	24.2	19.8	0.4	7.9	6.9	4.0	36.8
1985	32.4	21.3	0.3	7.8	5.5	1.4	30.6

## Sources:

1-Banco Central de Costa Rica (1986); Datos Socioeconomicos de Costa Rica; Costa Rica: Banco Central.

TABLE 9.

Population, Employment, Unemployment, Underemployment.

Year	Total Population per Thousand	Annual Rates of Growth				% of L.F.	
		Popul.	Total	Employment		unem	under
				Private	Public		
1950	850	3.3	N.A	N.A	N.A	4.1	N.A
1963	1380	3.7	2.7	1.9	8.8	6.9	N.A
1973	1872	3.1	3.6	3.4	5.1	7.3	N.A
1976	2018	2.5	4.4	3.8	7.7	6.3	6.9
1977	2017	2.6	6.4	5.4	11.5	4.6	7.5
1978	2126	2.7	5.6	4.2	12.1	4.6	7.6
1979	2184	2.7	3.3	3.6	2.2	4.9	7.6
1980	2245	2.8	0.9	-0.6	7.4	5.9	10.5
1981	2306	2.7	0.5	0.7	0.1	8.7	14.6
1982	2370	2.7	4.6	7.0	-5.3	9.4	16.4
1983	2434	2.7	1.0	-0.5	8.1	9.0	10.9
1984	2501	2.7	2.1	4.2	7.5	7.8	9.0
1985	2566	2.6	5.4	3.1	1.0	6.8	8.5

## Notes:

Open Unemployment: Members of the working force who are looking for a job and cannot find one.

Underemployment: Calculated in equivalent rates of unemployment.

## Sources:

1-Dirección General de Estadísticas y Censos; Censos de Población (1950, 1963, 1973).

2-Ministerio de Trabajo y Seguridad Social; Encuesta Nacional de Hogares, Empleo y Desempleo (1976-85).

3-Mideplan (1987); Costa Rica: Principales Indicadores Socio-demográficos; Costa Rica: Mideplan.

TABLE 10.

Proportions of the Labour Force Employed in Different Economic Sectors (1950-1985).

Year	Agric	Manufct.	Const.	Other.	Priv.	Public.	Urban	Rural
1950	54.7	11.3	4.3	29.7	93.9	6.1	36.2	63.8
1963	49.7	11.7	5.5	33.1	86.7	13.3	37.0	63.0
1973	38.2	12.9	6.9	42.0	84.7	15.3	43.4	56.6
1976	34.8	14.6	6.5	44.1	83.2	16.8	46.1	53.9
1977	33.0	15.8	6.4	44.8	82.4	17.6	47.0	53.0
1978	30.3	15.2	7.4	47.1	81.3	18.7	47.5	52.5
1979	28.7	16.3	7.7	47.3	81.5	18.5	47.8	52.2
1980	27.4	16.3	7.8	48.5	80.3	19.7	48.3	51.7
1981	27.6	15.4	6.7	49.8	80.4	19.6	48.8	51.2
1982	30.2	15.4	5.7	48.7	82.3	17.7	48.4	51.6
1983	28.2	16.6	5.1	50.1	81.1	18.9	49.5	50.5
1984	28.7	15.6	5.1	50.1	80.6	19.4	N.A	N.A
1985	27.3	15.9	5.1	51.7	80.9	19.1	50.8	49.2

## Sources:

The same as table 9.

TABLE 11.

Proportion of Families Under Poverty (Selected Years).

Year	Total	Urban	Rural
1961	51.2	N.A	N.A
1971	25.1	17.0	33.0
1977	23.6	13.7	34.3
1980	39.0	23.1	54.0
1981	50.4	36.1	64.2
1982	59.6	48.4	69.2
1983	49.2	41.4	60.6
1984	42.3	36.6	54.4
1985	36.7	25.4	49.0

## Sources:

1-Ministerio de Trabajo y Seguridad Social; Encuestas de Hogares, Empleo y Desempleo (Several Years).

2-Mideplan (1983); Deterioro de la Condicion Social de los Costarricenses; Costa Rica: Mideplan.

TABLE 12.

Proportion of Public Expenditure Allocated to Education, Health, Employment, Housing (%).

Year	Education	Health	Employment Social.Sec	Housing	Others	Total
1975	15.4	24.4	9.9	2.1	48.2	100
1976	16.2	22.2	9.0	2.5	50.1	100
1977	14.9	20.2	7.7	2.3	54.9	100
1978	15.4	23.3	8.5	2.1	50.7	100
1979	15.6	26.4	9.8	2.4	45.8	100
1980	15.4	25.1	7.9	3.4	48.2	100
1981	15.6	20.5	6.7	1.8	55.4	100
1982	13.8	17.7	7.3	1.5	59.7	100
1983	12.5	17.1	6.1	2.3	62.0	100
1984	12.8	17.4	7.9	2.5	59.4	100
1985	13.0	17.0	8.9	2.4	58.7	100

## Sources:

1-Mideplan, Costa Rica; Principales Indicadores Sociodemograficos, (May 1987).

TABLE 13.

Selected Educational Indicators.

Year	Illiteracy			Schooling Rate*			
	Total	Urban	Rural	Pre-Primary	Primary**	Secondary	Superior
1950	20.6	N.A	28.5	N.A	N.A	N.A	N.A
1960	14.3	5.2	19.7	N.A	83.9	19.0	3.3
1970	10.2	4.4	14.7	N.A	98.0	31.8	6.9
1980	N.A	N.A	N.A	39.6	105.6	54.7	19.6
1981	N.A	N.A	N.A	42.3	108.7	54.4	20.1
1982	N.A	N.A	N.A	47.9	106.1	52.5	20.0
1983	N.A	N.A	N.A	49.6	105.1	50.0	19.6
1984	6.9	3.1	10.1	44.3	104.1	48.5	19.3
1985	N.A	N.A	N.A	53.8	104.1	46.2	20.6

\*Schooling Rate: Relation between number of students which attend an educational centre and the population of relevant age group.

\*\*The coefficient is greater than 100 because there are people who attended primary education and who are over 11 years of age.

## Sources:

1-Cepal (1976); Desarrollo y Política Social en Centroamérica; Mexico: Cepal.)

2-Mideplan (1987); Plan Nacional de Desarrollo: 1986-1990.; Costa Rica: Mideplan.

TABLE 14.

Selected Housing Indicators.

	1963	1973	1984
Total number of Houses	231,120.0	330,857.0	500,030.0
Type of ownership(%):			
Own	56.3	60.3	65.8
Rent	23.9	22.9	20.7
Other	19.8	16.8	13.5
Overcrowding (%)	23.9	16.1	6.9
Access to Services (%):			
Water	68.3	78.2	89.0
Electricity	54.6	71.7	83.1
Sanitary Services	74.7	88.3	87.5
Deficit of Houses (Number of Houses)	121,873.0**	85,388.0	132,147.0

\*\*1967

## Sources:

1- Dirección General de Estadísticas y Censos; Censos de Población y Vivienda (1963, 1973, 1984).; Costa Rica: Ministerio de Economía.

2- Díaz Santos, R.; Datos básicos de Costa Rica; Avances de Investigación, N:14, Instituto de Investigaciones Sociales, UCR, 1977.

3- Cepal (1983); Satisfacción de las Necesidades Básicas de la Población del Istmo Centroamericano; Mexico: Cepal.

TABLE 15.

Selected Health Indicators (per thousand).

Years	Birth	Mortality	Infant.Mort.	Life Expt (years)	Fertility.
1950	48.0	12.0	89.0	55.7	6.9
1960	48.0	10.0	76.0	63.0	7.3
1965	45.0	9.0	75.0	63.0	6.5
1970	33.0	7.0	63.0	65.0	4.9
1975	30.0	5.0	38.0	70.0	3.8
1980	31.0	4.0	19.0	73.0	3.7
1983	30.0	3.8	18.5	73.7	3.5
1984	30.8	3.9	18.4	73.7	3.5
1985	32.4	4.0	17.6	74.0	3.8

## Sources:

- 1- Rosero, L (1982); Datos de Salud; Costa Rica: Asociacion Demografica Costarricense.
- 2- Ministerio de Salud, Departamento de Estadistica.
- 3- Dr Miranda, G (1988); La Seguridad Social y el Desarrollo en Costa Rica; Costa Rica: CCSS.

TABLE 16.

Coverage of Social Security (sickness and maternity), Rural Health Programme (RHP) and Community Health Programme (CHP), (% total population).

Year	S.S	RHP	CHP
1973	50.3	11.1	N.A
1974	52.2	19.1	N.A
1975	54.1	33.6	N.A
1976	63.0	44.7	9.9
1977	70.3	57.9	22.3
1978	72.1	60.0	34.9
1979	78.1	60.9	63.4
1980	N.A	59.5	54.8
1981	N.A	51.9	51.7
1982	78.0	57.2	43.6
1983	N.A	60.0	39.9
1984	N.A	61.5	42.6
1985	81.4	61.7	46.5

## Sources:

Same as table 15.

## CHAPTER IV.

### RESEARCH DESIGN AND METHODOLOGY.

The literature review (chapter II) showed the difficulty involved in assessing the direction of causality between unemployment and other social phenomena. It also highlighted the differences that exist between the responses of individuals and their households to unemployment in developed and developing countries. Knowledge on the subject about Costa Rica is limited to the characteristics of people who are employed, underemployed, or unemployed; nothing is known of the effects and responses to employment problems. Thus, in view of the difficulties underlined in the literature review, the study presented here is an initial attempt to explore the impact of employment problems in Costa Rica and the responses of individuals and their households.

Therefore, the aim of this investigation is to analyze the circumstances of individuals facing employment problems and their households. In the first instance, an attempt was made to base the study on the data of the General Household Survey but due to its limitations (as addressed in section 2), primary data had to be collected; thus, a case study was designed to explore both the effects on individuals and their households linked to employment problems and their responses.



This chapter is divided into three sections; the first looks at the general and specific objectives of the investigation; then, the sources of data are identified and their methodological aspects as well as their limitations are discussed in the second section whilst in the last the concepts being used for the analysis of the subject are defined.

#### 1. General and Specific Objectives.

The general objective of the study is to examine the living conditions and responses of individuals and households to employment problems; in particular, the effects at the individual and household level which they associate with the occurrence of employment problems and to examine the mechanisms for survival which they adopt to counteract these effects - in the absence of an income maintenance programme.

From the general objective of the study two sets of specific objectives were elaborated. The first set deals with perceived effects and contains the following objectives:

(i) To analyze the impact of employment problems on the health condition of individuals facing employment problems and other members of their households.

(ii) To analyze the impact of employment problems on family life, in particular the extent to which both the stress caused by the occurrence of these problems and the resulting hardship disrupts family life.

(iii) To analyze the impact of employment problems on the education of household's members who are directly or indirectly affected by employment problems.

The second set of objectives looks at the individual and household responses to employment problems; these objectives are:

(i) To analyze the extent to which social support (ie, aid received from relatives, friends, neighbours, church and other social organizations) is an important mechanism which helps households to offset the effects of employment problems.

(ii) To analyze the extent to which individuals and households resort to alternative sources of work and income such as the informal sector, home production, and crime to mitigate the impact of employment problems.

(iii) To analyze job search methods used by unemployed people and the intensity of their search.

(iv) To investigate people's awareness of relevant public assistance programmes which they are entitled to benefit from, and the extent to which these programmes helped them during periods of hardship caused by employment problems.

## 2. DATA SOURCES.

In accordance with the objectives of the investigation, two sources of data were used. The first was the General Household Survey of July, 1985 while the second was a semi-structured household survey which took place between February and March, 1986. The methodological aspects and limitations of both surveys are discussed in this section.

### 2.1 The General Household Survey.

#### A. Methodological aspects.

The General Household Survey (GHS) on employment and unemployment was first implemented by the Ministry of Labour (MTSS) and the National Statistics and Census Department (NSCD) of the Ministry of the Economy in 1976; thereafter, the GHS has been carried out periodically, three times per year during the months of March, July, and November. The objective of the survey is to collect data on the employment situation and personal characteristics of individuals. The gathering of data is done through individual interviews for which a questionnaire is used. Every individual 12 years old and older who is a member of a selected household, is interviewed.

The data is collected through the method of area sampling which is a form of multi-stage sampling. Area sampling provides a stratified and regular-interval sample which consists of the division of the country into small areas which are called sample

areas. These sample areas are then further divided into districts. Each of these districts is then divided into segments that contain dwelling units (households). Thus, the methodology used by the GHS is a multi-stage one as it includes several stages of sampling with different units for each stage.

By using the maps of the population census, districts are divided into smaller segments which then are used for the random selection of private households. Private households are defined as the group of individuals who reside in the same house and share living arrangements; the household can also be a one person unit. Therefore, collective households such as asylums and convents are excluded from the GHS.

But before the households are selected, the segments are grouped according to their geographical location; that is, those within and those outside the Central Valley and also in terms of whether they are in urban or rural areas. The Central Valley includes the provinces of San Jose, Alajuela, Cartago and Heredia minus few districts which are dispersed in the northern and southern part of the country. Urban areas are defined as those which have basic services and physical infrastructure such as streets, blocks, sidewalks, electricity, and so on.

For each of the geographical regions, a list of segments is prepared maintaining the order of their identity number within each district as well as the order of classification by provinces and districts of the "territorial and administrative division of

Costa Rica". The number of households used by the census determines the size of each segment. Within each district, segments are selected according to their sizes.

Once the segments are chosen, they are further divided into smaller sectors. The sectors are defined by streets, rivers and other geographical features which also facilitate the identification of the segments. In practice, it is not possible to divide every rural segment because parameters are not always easy to identify.

Unlike the segments in the rural area, those in the urban area are more easily identifiable and divided into sectors. From each segment, a sector is randomly selected with a probability proportional to their size. In order to identify the number of existing households and their geographical location, the chosen sectors are checked before the survey takes place. The maps of the census of the population are utilized to draw a list of households and other existing constructions and a unique number is given to each household. The areas of any sector which are occupied by a new urbanization are excluded. Afterwards, groups of fifteen households are selected in the urban areas whilst each group in the rural area has twenty households; groups in both areas are defined in a way in which their limits are easy to identify and, then, only one group per sector is randomly selected.

Each household of the groups which are randomly selected is only visited once; members of these households who are twelve years old and older are interviewed through the use of a questionnaire. Since the aim of the exercise is to obtain objective infor-

mation on the personal characteristics of individuals and their occupational circumstances, the questionnaire is based on the technique of multiple choice and therefore excludes open-ended questions regarding behaviour, attitude, opinions or value judgments which may lead to subjective answers. If members of a household are absent during the interview, other members of this household are asked to provide information about them.

Another important methodological aspect is the rotation of the groups of households. As mentioned above, the GHS takes place three times per year; thus, with the intention of avoiding bothering the interviewees excessively and ensuring their collaboration for at least a period of a year, each group of the sample is rotated in such a way that members of a private household are interviewed no more than three times consecutively. Therefore, in any of the GHS, one-third of the groups is changed and replaced by new groups of households which are then included in three surveys.

Turning now to some of the terms used in the GHS, the following are the definitions adopted:

(i) Labour force: population 12 years old and older who are either employed or unemployed.

(ii) Employed: population 12 years old and older who did paid work for one hour or more during the week of reference. Persons who were absent from work due to sickness, strikes, vacations, etc. but who hold a job are also considered as employed. Fully-employed are employees who worked for at least 48 hours per week. Regarding underemployment, two kinds are distinguished...visible and

invisible; visible refers to individuals who worked less than 48 hours per week while invisible refers to those who worked at least 48 hours but earned less than a minimum income (determined by the cost of a primary basket of goods).

(iii) Unemployed: population 12 years old and older who have never worked and search for a job for the first time (new entrants) and those of the same age cohort group who have lost their jobs (or have resigned) and are searching for a new job (unemployed). To be classified as unemployed, a jobless person must have searched for a job during the week of reference.

(iv) Inactive: those under 12 years of age and those 12 years old and older who are excluded from the labour force; housewives, students, pensioners, and disabled people are included amongst the latter as long as they are not working or searching for jobs. Domestic activities are not considered as paid work unless the person is remunerated for his or her services (maids).

#### B. Limitations of the GHS.

For the purpose of the investigation, the GHS presents some shortcomings which limit its usefulness. Firstly, the survey contains data at an individual level, so important information on households circumstances such as their social situation and the allocation of their budget is not provided by the GHS. Secondly, the questionnaire does not include any questions on the effects of employment problems. Thirdly, with the exception of some few questions on job search activities, the GHS does not enquire into the responses of individuals and their households to the occurrence of

employment problems. Last but not least, the use of concepts by the GHS such as unemployment, visible and invisible underemployment, understates the real dimension of employment problems. For example, the circumstances of individuals who either participate in the informal sector or in home production as well as the reasons which might prevent inactive people who wish to work from joining the labour force are excluded from the survey.

Bearing in mind the limitations of the GHS, the initial research strategy was to attempt to have additional questions included in the questionnaire of July, 1985. A list of questions was presented by the author to the director of the National Statistics and Census Department but after a series of discussions, it was decided that financial and time constraints for the processing of the additional information - due to the fact that the processing of the data of the census of the population and housing of 1984 was then underway - meant that the Department was unable to consider most of the additional questions. Therefore, it was necessary to alter the research strategy and carry out a case study to investigate the perceived effects of employment problems and the responses of individuals and their households.

Nevertheless, in order to compare the characteristics of the people with employment problems with those who were fully employed, it was decided to extract a subsample from the GHS of July, 1985<sup>1</sup>. The subsample contained the same information on in-

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1.

The data of the subsample was collected between the 22 of July and the 16 of August, 1985 and the week of reference was the week prior to each interview. In addition, the parameter used to define invisible underemployment was an income lower than 5,866 colones (60 colones per US dollar).



dividuals of the GHS of July, 1985 but its geographical location was restricted to the urban areas of the case study; that is, the urban areas of the provinces of San Jose, Alajuela, Cartago, and Heredia (Central Valley) and the intermediate cities of Liberia, Limon, and Puntarenas.

## 2.2 The Case Study.

In view of the limitations of the GHS, there was no other choice but to collect primary data on the circumstances of individuals facing employment problems and their households. A household survey (known here as the case study) was designed to obtain information on the effects of employment problems and the responses given by individuals and households to offset their impact. For the remaining part of this section, the design and other methodological aspects of the survey are reviewed.

### A. Design of the case study.

After a detailed assessment and discussion of the advantages and limitations of several research methods, it was decided that for the purpose of the investigation, a semi-structured household survey was probably the best method to gather information on the effects of employment problems on individuals and their households as well as their responses.

Having decided to carry out a household survey, the next step was to evaluate whether emphasis should be given to individuals or to households. In line with the objectives of the investigation, it was felt that unless both levels of analysis were included, the

research would have been incomplete. The reason for this was that other members of the households - in particular those who participated in the different mechanisms for survival adopted by households - could provide valuable information. Consequently, a questionnaire which included open-ended questions on both individuals and household circumstances was elaborated (the discussion of it is addressed later in this section).

Because of the employment circumstances of individuals included in the case study and the need to go beyond the realm of the individual to understand the full impact of employment problems and the responses to it, the private houses where these individuals lived were chosen as the place for the interviews to be held. Otherwise, if somewhere else would have been selected such as the workplace, then, the investigation would have been limited to some types of employment problems like underemployment whilst a household survey had the advantage of being able to incorporate in the analysis every type of employment problems faced by members of households.

Once the research methodology was chosen, it was necessary to identify households with employment problems. Financial and time constraints prevented the implementation of a multi-stage sampling method; therefore, a decision was taken to rely on the data of the GHS to select households with employment problems. The following discussion is an account of the major methodological aspects of the case study.

(i) Sampling procedure.

Because the sample of the GHS of July 1985 was randomly selected, it was assumed that - for practical reasons - the most convenient thing to do was to use it to choose the sample for the case study; moreover, an added advantage was that this would also guarantee the statistical representativeness of the sample. The data was classified in terms of the employment situation of individuals and those who - according to the concepts used by the GHS - were underemployed, unemployed, and inactive but expressed their desire to work, were grouped together.

Afterwards, it was decided that the sample should be restricted to individuals for whom the GHS of July, 1985 was their last inclusion in the sample. This was done for two reasons, first, to ensure that the interviews of the case study would not coincide with future GHS (November, 1985 or March, 1986) and avoid bothering the respondents excessively; and secondly, to be able to include some information on long-term cases of employment problems. The latter was based on the fact that the case study was going to take place six months after the GHS of July, 1985, thus, those individuals whose employment situation was problematic at the time of both surveys would be able to document the effects and responses to their employment problems over a longer period of time.

A list of segments was elaborated with the help of the NSCD. In addition, the costs of and the required time to implement the research were estimated. It was clear from the estimate that - desirable as it might be to cover major rural and urban areas - the study had to be restricted to a limited area.

Finally, another limitation of the study was that by using the data of the GHS to identify the households with employment problems, households which moved to the areas covered in the case study during the months which elapsed between both surveys were not included in the study. This would have been a major shortcoming had, for instance, new slums been established in these areas since the incidence of employment problems is higher amongst their inhabitants. But the omission was not so severe as no slums were established in these areas during this period. At this point it is necessary to bear in mind that the GHS excludes temporary shelters.

(ii) Geographical location.

Confronted with the prospect of having to raise more money to complement the budget of the study and the impossibility of devoting more time to carry out a national survey, it was decided to limit the coverage of the study to major urban areas within or outside the Central Valley. In addition to financial and time constraints, there were other elements which were taken into consideration to reach that decision; these can be summarized as followed: (a) urban segments were easier to identify; (b) the fact that the population was more concentrated in urban areas enabled interviewers to cover more households over a short period of time; and (c) transport costs were lower.

Four areas were chosen for the study. The first area was the Central Valley which was the largest; It comprises the provinces of San Jose, Alajuela, Cartago and Heredia. The cities of Alajuela, Cartago, and Heredia are located 15 to 20 kilometers from the capital San Jose and their economic activities are in-

terrelated to those of the capital. The urban centres of the Central Valley had a population of 900,000 inhabitants (1984) and contain over 70 percent of the urban labour force of the country. Additionally, most of the light industry (textiles, leather, plastics, food processing) is located in the Central Valley and this has given rise to the expansion of financial and personal services, and commerce.

In addition to the Central Valley, the other areas chosen for the study were three intermediate cities located outside the Central Valley. The first is called Liberia and is located in the Pacific North West on the Panamerican Highway, en route to the Nicaraguan border. Liberia is the centre of an extensive area of large scale livestock production, rice, sugar cane, soya and grains. The city functions as a service and commercial centre for the surrounding region (agricultural firms, hotels, restaurants, banks and government administration); it also accomodates important agricultural processing firms. In addition, Liberia is a stepping off point for the tourist attractions of the province of Guanacaste (beaches, national parks).

The other two cities are the port cities of Limon and Puntarenas. Limon - located on the Atlantic coast - is the principal port for both the exportation of banana and coffee and the importation of petroleum and manufactured goods from Europe. The population of Limon is estimated to be approximately 50,000 inhabitants. The whole of the Atlantic coast is connected with the Central Valley via Limon. Port activities, services, commerce, and government administration are complemented with small scale artisan activities. Public institutions such as JAPDEVA (the

regional authority responsible for the administration of the port, customs, and the implementation of regional development projects), FECOSA (railways), and RECOPE (petroleum refinery) are the major sources of urban employment in Limon. In addition, there are a few drawback firms and other small enterprises, such as production of refreshments, ice cubes, and plastics provide employment for a small proportion of the urban labour force.

Puntarenas is the principal port of the Pacific coast and with Limon is the largest urban centre outside the Central Valley. Fishing, boat construction, and tourism are complemented with medium and large scale fish and meat processing industries, and fertilizer production (FERTICA), as well as an ample service and commercial sector. Furthermore, Puntarenas is the principal tourist resort of Costa Rica due to its proximity to the Central Valley (94 kilometers from the capital) and hotels and recreational facilities are located along the peninsula.

Outside the central district of Puntarenas, there is a populated residential nucleus called Chacarita, included in the study. This is an area characterised by the construction of low-cost housing and the plant of FERTICA. Chacarita is located 6 kilometers from the central district of Puntarenas and with the exception of those residents who work in FERTICA or who do informal activities in the area, the majority of them travel to the city of Puntarenas where most jobs are.

(iii) Design of the questionnaire.

After deciding the geographical location of the study, the next step was to design a pilot questionnaire and test it before the formal interviews took place; this would enable the necessary corrections to be made to the questionnaire. To start with, the objectives of the study were discussed and a preliminary list of questions was elaborated. The pilot questionnaire was divided into the following six sections: (a) characteristics of the household; (b) job history; (c) job search process; (d) social and economic effects; (e) responses to employment problems; and (f) awareness of public assistance programmes. For each section, a set of questions was included and with the help of the NSCD, the structure of the questionnaire as well as the wording of its questions were reviewed. Moreover, an attempt was made to precodify possible answers to the open-ended questions.

Once the preliminary questionnaire was ready, arrangements were made to test it on a sample of ten households with employment problems; these households were identified and selected from the data of the GHS of July, 1985 (but, unlike the households of the sample of the case study, the GHS was either their first or second interview). Also, because negotiations with the government authorities were still taking place to determine its participation and because of budgetary limitations, it was decided to carry out the pilot test in the Central Valley.

Of the ten households selected, only eight proved to have employment problems, therefore, it was decided that it would be better first to locate the households, check if any of their members faced any employment problem, and then arrange to meet the

members of the households with employment problems (fieldwork is described in the next section).

Interviews were carried out with the questionnaires; afterwards, the questionnaires were reviewed and an attempt was made to codify their answers. Some meetings were held with officials of the Social Security System (health), the Ministry of Education, and the Penitentiary System to find out the possibility of checking the responses to the open-ended questions on effects and on illegal actions which people might have taken to offset the impact of their employment problems. However, due to the fact that health services do not cover the totality of the population, and that statistics on education were too aggregated for the purpose of the investigation and also did not include information on reasons for academic failure or dropouts, it was not possible to obtain corroborative evidence of subjective answers. It was nevertheless decided to keep the questions on the effects but to treat their answers as elements which might explain the responses of individuals and their households. Regarding crime, the pilot test showed that questions on the subject were too delicate, therefore, the question on crime was replaced by a general and impersonal question on the type of activities which the respondent thought that people with employment problems do to counteract its impact.

Furthermore, bearing in mind how difficult it would be to codify information from open-ended questions, it was agreed to include as many pre-coded questions as possible; for the open-ended questions literal transcriptions of the answers were used to complement the analysis of the perceived effects of, and the responses to, employment problems.



Apart from the subjectivity of some answers, the pilot test underlined the difficulties of obtaining information on financial matters such as household's income, expenses and resulting budgetary changes from the occurrence of employment problems. It seems that despite the fact that the author and the other interviewers were introduced as research students from the Universidad de Costa Rica and promises were made to safeguard the identity of the respondents, there was a degree of mistrust and secrecy which was impossible to reverse in the three hours or so which were spent in each household. Nevertheless, it was decided to maintain the questions with the hope that some households could provide important information on their finances.

With respect to the understanding of the questions, only a few were not fully understood by the respondents and the interviewers had to make an effort to explain the meaning of these questions; therefore, these troublesome questions were rewritten using simpler language.

Another issue raised by the interviewers was that unless individuals with employment problems were asked first and in private, their answers would not be too reliable as other members of the household, in particular the head, could intervene and either intimidate the respondent or answer on his or her behalf. Thus, it was decided to start with the individual interviews and then incorporate key informants for the last two parts of the interview which dealt with effects and responses at the household level and awareness of public assistance programmes.

Having discussed the shortcomings of the pilot questionnaire and based on the results of the pilot test, a final questionnaire was elaborated. The questionnaire is included in Appendix A but its major features can be sum up as followed: it is a semi-structured questionnaire which contains questions on the characteristics of the individuals and households (eg, sex, age, education, size of household, etc.) as well as open-ended questions on the effects which respondents might associate with the occurrence of any employment problem, their responses and their opinions on government actions.

Structure of the questionnaire.

Part	Content	Persons Interviewed.
First	Personal characts. and empl. circumstances.	Head\others.
Second:	(a) Description of the conditions of work of last job. (b) Job history of respondents (c) Individual impact of employment problems. (d) Job search activities	a,b,c ...Head\others  d...only unemployed people.
Third:	(a) Effects of employment problems and responses of households. (b) Awareness of public assistance and opinions on role of government	a,b...Head\others

The questionnaire was divided into three parts; the first was organised as a matrix in which information on the personal characteristics and employment circumstances of members of the households of the study was recorded during the reconnaissance visit. The second part was directed to individuals who faced employment problems and included four sections which dealt with a description of the conditions of work of the last job, the job

history of the respondents, the individual impact of employment problems, and job search activities; the latter was only addressed to unemployed individuals. The third and last part had two sections, the first contained questions on the effects of employment problems at the household level and their responses to offset these effects while in the second section, questions about the awareness of public assistance programmes and opinions on the responsibility of the government to alleviate the impact of employment problems were asked. Questions in parts one and three were asked to the head of the household and other key informants and unlike the case with the second part of the questionnaire, the questions were openly asked to all the respondents.

(iv) Size of the sample.

As already discussed, the selection of the sample was based on the data of the GHS of July, 1985. The employment situation of every individual who was interviewed for the last time and who lived in the segments covered in the study was assessed; thereafter, a preliminary list of individuals with employment problems was elaborated and with the assistance of the NSCD, their households were identified and geographically located.

According to the records of the GHS, 111 households were found to have at least one member facing any employment problem. The majority of these households were located in the Central Valley (63 households) while 18, 20, and 10 households lived in Puntarenas, Limon, and Liberia respectively. However, after the interviews took place, it was found that only 74.8 percent of these households (83) had employment problems; the geographical distribution of these households was similar to that of the original

sample. Altogether, in the 83 households 113 individuals had employment problems (their personal and occupational circumstances are reviewed in the next chapter). The difference between the target size (111) and actual size (83) of the sample is the result of five households which were not found and twenty-three households where no cases of employment problems were found.

#### B. Fieldwork.

The pilot interviews were held two months prior to the final interviews. Interviewers who collaborated with the author were drawn from the Ministry of Labour (MTSS) and the Ministry of Planning and Political Economy (MIDEPLAN) and all of them were also part-time students; the households were interviewed during the second week of December, 1985. The author either carried out or was present at all the pilot interviews. Each household was visited by an interviewer who wrote down the answers. At the end of each questionnaire, the interviewer was asked to assess the quality of the interview and the adequacy of the questionnaire in terms of the usefulness of the maps of the census, the collaboration of the respondents, the understanding of the questions, the management of the interview, and the structure and organization of the questionnaire.

Two weeks after the pilot test, on 5 January, 1986, an agreement was reached with the official authorities under which the government was to provide seven officials from the Ministry of Labour (MTSS), the Ministry of Planning (MIDEPLAN) and the National Statistics and Census Department (NSCD) to collaborate with the collection of the data; in addition, the government paid for

their accomodation and other expenses, and also provided cars with petrol and lent the maps of the census of 1984. Moreover, an office was allocated to the research team in MIDEPLAN. In exchange, the government requested access to the data of the study; this was granted but, because of a change in government in May 1986, the new government did not make use of the data.

A two days training programme was organized the week following the agreement with the government. The aim of the programme was to make all the necessary arrangements for the case study. The officials designated by the government and technocrats responsible for the GHS participated in the programme. The agenda was different each day; during the first day the objectives of the study were discussed and the need to carry out a case study was explained in terms of the limitations of the GHS for a research of such nature. A copy of the final questionnaire was distributed to each participant and the adequacy of it was assessed in terms of the objectives of the study. Moreover, the results of the pilot test were looked at to put the final questionnaire in perspective and to show them the problems which might arise, in particular when dealing with open-ended questions. The fact that the author and three of the seven officials participated in the pilot test was an advantage.

On the second and final day, the participants were grouped in pairs and were asked to practice using the questionnaire by interviewing each other and to comment on the adequacy of the questionnaire in terms of its structure and level of understanding of the questions. Once the exercise was completed, the whole group got together to express and discuss their comments. As a result, some

minor adjustments were made (especially regarding the order of the questions).

At the end of the training programme, the geographical areas were allocated, copies of the relevant maps were given to each interviewer as well as their credentials as research students. The first map included information of the segments of the area assigned while the second was a set of maps which described in detail the geographical features of each segment. The working schedule was elaborated and a date - after the general presidential election of 2 February, 1986 - was fixed for an updating session to take place. The commencement of the case study which was originally planned for the beginning of January had to be postponed until the first week of February since otherwise it would have been impossible to obtain cooperation from the government.

The updating session was held at MIDEPLAN on the 5 of February; the interviewers were reminded of the objectives of the study and consequently, the importance of treating open-ended questions as such rather than inducing people to respond in a specific manner. Moreover, they were asked literally to write the answers and to stimulate the respondents to elaborate their answers as much as possible. This because to accept a yes or no for an answer would have undermined the value of the exercise and probably would have hidden any misunderstanding of the question asked.

The collection of the data started on 6 February, 1986 and finished on 17 March of the same year. With the exception of the

first and last week, a typical working schedule was to start the week with a Monday morning meeting at MIDEPLAN to discuss any problems which arose the previous week; afterwards, the interviewers visited the segments which were assigned to them for that particular week. Depending on the geographical characteristics of the segments and their distance from the capital, interviewers spent one or two days visiting the households and arranging times for the interviews. During the first visit, interviewers found out whether any member of the households had employment problems; unlike the GHS, the concept of employment problems was expanded to include other cases which were omitted by the GHS (the concept of employment problems will be defined in the last section of the chapter). To secure the participation of the households in the study, the interviewers introduced themselves as research students from the Universidad de Costa Rica (ie, a neutral and prestigious institution); they also explained the objectives of the investigation, and guaranteed the confidentiality of the information to the members of the households visited.

Once the households agreed to participate in the study, their members were interviewed. By Friday evening the interviewers handed over the questionnaires to the coordinator of the study (ie, the author). Each weekend, the questionnaires of that week were examined and the following Monday, any relevant observation was transmitted to the interviewers during the morning meeting in MIDEPLAN. Another aspect of the supervision was that the interviewers were asked to telephone the coordinator every morning to report any problems which they might have had the previous day.

As already mentioned, the exceptions to this working schedule were the first and last week of the collection of data. Regarding the first week, interviewers visited one household each in the Central Valley on 7 February, 1986 (ie, a day after the updating session) and on 8 February all the questionnaires were reviewed by the whole group to assess the quality of the interviews and to make any final change which was required.

Finally, the last week was devoted to those households for whom there were some gaps in their information. Overall, seven households were visited again. With the exception of these households, the information of the remaining households was gathered on a single visit (after the reconnaissance one) which on average lasted three hours.

### C. The Coding process.

Parallel to the elaboration of the first questionnaire, an attempt was made to precode possible answers. This was far from being an easy proposition, as in general, answers to open-ended questions were so diverse that it was extremely difficult to define categories under which these answers would fall.

Based on the pilot test and the structure and questions included in the final questionnaire, a preliminary code was constructed. Some problems surfaced such as the difficulty of coding answers to questions on perceived effects of employment problems and the mechanisms for survival which households resorted to. For instance, a question such as " how do you feel since facing employment problems?" generated a diversity of answers, each of



them denoting the circumstances of the respondent, his household environment, past job history, attitudes, social values, etc. Therefore, to classify the answers in specific categories was in practice a quixotic enterprise. Another problem was to quantify the hardship caused by employment problems; but independently of these obstacles, as forementioned, it was decided to include as many questions as possible and to complement the analysis with the literal transcription of answers, in particular, those whose codification proved to be extremely difficult. The final codes that were used are presented in Appendix B.

Finally, the data was divided into two different files; the first provided information on individuals while the other was on household circumstances. The data was written in the SLM statistical language for microcomputers and then was organized in such a way that the statistical package SPSS could be used for the analysis. This package had the advantage that both files could be merged into one, thus, it opened up several possibilities for the analysis of the data.

### 3. Concepts and Definitions.

The concepts of underemployment and unemployment - as defined by the GHS - understate the real dimension of employment problems in Costa Rica; for instance, the GHS, by defining underemployment in terms of either the number of hours worked or the level of earnings, does not take into account those cases of individuals who, though they work no less than 48 hours per week and earn more than the minimum wage, do not have any long-term job security due to the informal nature of their work.

Thus, for the purpose of the investigation, some relevant concepts such as employment problems were redefined. The following are the basic concepts were used for the case study:

(i) Employment problems:

The three major types of employment problems are underemployment, unemployment, and inactive wishing to work. The concept of underemployment is based on that used by the GHS but it also takes into account the nature of jobs performed by individuals 12 years old and older.

Unemployed people are those aged 12 years and older who are out of work but are looking for a job in the week before they are interviewed. New entrants are also considered as unemployed as long as they are looking for jobs.

The category inactive wishing to work includes those individuals 12 years and older who do not participate in the labour force but expressed their wish to do so. A typical person who falls into this category is a woman whose household responsibilities prevent her from joining the labour force. This new category was incorporated into the investigation because of its policy implications; it was assumed that one way in which households might try to offset the hardship caused by employment problems is to pool together their resources. Therefore, for the sake of the analysis, it was essential to identify possible obstacles which might hamper participation in the labour force.

(ii) Household:

Household is defined as all individuals who live and cook under the same roof. As it happened, kinship ties were present among all the households of the case study, therefore, the terms household and family could be used to refer to the same group of people. However, because the household was chosen as one of the units of analysis, the term household is used in this study; another reason is that if one is to expand the sample of the study in the future, it is possible that - unlike the sample of this case study - no kinship ties would exist among members of some households.

(iii) Social and economic situation:

The three categories used for the analysis were poor, low-income, and better-off households. In order to classify the households by their social and economic situation a poverty line was used based on the cost of a primary basket of food. The composition of the basket is the standard one used by the NSCD and in February, 1986 its cost was 16,300 colones for an average household of 4.5 members (including 2 adults). However, because of the reluctance of some of the households of the study (poor) to give information on their income, in a few cases another criteria had to be adopted to complement the "primary basket-income approach". This criteria consisted of the assessment of housing conditions in terms of size of the house, number of people residing there, access to electricity and water supply, telephone, depreciation of the physical infrastructure of the house, building materials used, furniture, electrical appliances (radio, TV, washing machine, kitchen appliances, etc.), and type of ownership of the house. The information was gathered through observation and

from some of the answers to the questionnaire. Thus, based on the relationship between the cost of the primary basket of food and households' income as well as housing conditions, the categories were defined as followed:

Poor households:

Those whose income was less than the cost of the primary basket of food or whose housing conditions were poor and faced serious problems of overcrowding.

Low-income households:

Those whose income was equal to a value between one and two times the cost of the primary basket of food.

Better-off households:

Those whose income at least exceeded the cost of two primary baskets of food.

## CHAPTER V

### THE URBAN POPULATION WITH EMPLOYMENT PROBLEMS.

The purpose of this chapter is to describe and analyze the personal characteristics and household circumstances of the urban population with employment problems. As forementioned, this population comprises 113 randomly selected individuals with employment problems who came from 83 households and who were interviewed during the months of February and March of 1986. Having defined the concept of employment problems in the previous chapter and shown in the background chapter on Costa Rica (chapter III) that apart from unemployment, underemployment and being inactive but wishing to work are other employment problems which some Costa Ricans faced, individuals are, for the first part of the analysis, grouped according to the type of employment problem which they faced. This is done to find out the extent to which differences regarding their personal characteristics or household circumstances were related to the type of employment problem which they had. Moreover, this comparison will not only enable us to appreciate the different circumstances of individuals with employment problems but will also assist in the analysis of the perceived effects of and responses to employment problems (chapters VI and VII).

Once the circumstances of individuals with employment problems are identified, the next step will be to compare them with those

of fully employed individuals; the importance of this comparison lies in the fact that it will help us to determine whether variables such as sex, age, education, and status in household could explain their different employment situation.

The chapter is divided into two sections; the first looks at the personal and household characteristics of individuals with employment problems; in addition, the circumstances are compared to find out if personal or household differences are linked to the type of employment problem which they faced. The second section deals with the comparison of personal features of individuals with and without employment problems. This comparison will help to put into perspective the findings of the first section since it will allow us to figure out the extent to which personal circumstances of people from both populations were associated with differences in their employment situation.

#### 1. Personal and Household Circumstances of Individuals with Employment Problems.

This section presents a descriptive analysis of the features of the urban population with employment problems. As already discussed in the previous chapter, the concept of employment problem comprises three separate types of problems (underemployment, unemployment, and inactive wishing to work); therefore, for the purpose of this analysis individuals are grouped according to the type of employment problems which they faced. An advantage in doing so is that it enables us to determine the extent to which

differences in terms of personal and household circumstances of individuals were related to differences in their employment situation.

The section is divided into two parts; the first looks at the personal characteristics of the urban population with employment problems whilst in the second, their household circumstances are reviewed.

### 1.1. Personal characteristics.

The personal characteristics discussed here are the sex composition, age structure, education, and status in household of individuals with employment problems. Their characteristics are compared to find out the extent to which differences are associated with their employment situation.

#### A. Sex and age differentials.

Regarding the sex composition of the population with employment problems, women were predominant in the sample (56.6 percent). The reason for this is that as many as 30 percent of women were inactive wishing to work. As forementioned, this category was incorporated into the analysis to enable us to appreciate the full dimension of the employment problems which individuals might face. Since this type of employment problem includes individuals who wished to work but were prevented of doing so, either because of their household responsibilities or because of their perception that it would be practically impossible for them to find a job in view of their old age (ie, discouraged

workers), then it was not unexpected to find a high percentage of women under this category (86.4 percent; Table 1).

The female orientation of those inactive wishing to work may be explained by the machismo culture which is rooted in Costa Rican society; under this cultural influence, women are expected to take care of children and to run the household. Thus, in the absence of nursery facilities or other arrangements which would allow them to share their responsibilities, it is very difficult for those inactive wishing to work to find the time to join the labour force and search for a job.

TABLE 1.

Sex and Type of Employment Problems.

sex	Type of Employment Problems(%)			All
	underemployed	unemployed	inactive wish.	
male	46.2	56.4	13.6	43.4
female	53.8	43.6	86.4	56.6
Total	100%(52)	100%(39)	100%(22)	100%(113)

Chi-square= 10.8 Significant at the 99% confidence level.

\* Note: for all the tables percentages are rounded and parentheses are used for the number of cases.

In addition, for this table as well as the others, significance at 95% and 99% confidence levels are calculated.

Moreover, Table 1 indicates that while the majority of underemployed people were women, the opposite occurred regarding unemployed individuals as 56.4 percent of them were men. Therefore, there was a statistically significant relationship at the 99



percent confidence level between sex and the type of employment problems which individuals faced.

TABLE 2.

Age and Type of Employment Problems of Men and Women.

age	Men			Women			All
	under	unempl	inact wish.	under	unempl	inact wish	
young	29.2	59.1	0.0	42.9	47.1	42.1	42.5
prime	50.0	36.4	33.3	46.4	52.9	42.1	45.1
old	20.8	4.5	66.7	10.7	0.0	15.8	12.4
Total	100(24)	100(22)	100(3)	100(28)	100(17)	100(19)	100(113)

Chi-square for men= 11.2 Significant at 95% confidence level.

Chi-square for women= 2.8 Not significant (ie, confidence level less than 95%).

With respect to the age structure of the population with employment problems, the following three categories are being used in this chapter: young (12 to 25 years of age); prime (26 to 50 years of age); and old (over 50 years of age). Table 2 shows that there were major differences in the ages of men which were associated with the type of employment problems which they faced; proportionately speaking, the majority of unemployed men were young in contrast to those underemployed or inactive wishing to work who were predominantly of prime and old age respectively. Thus, results demonstrate that differences in the age of men were related to differences in their employment circumstances. When the age of women was considered, no marked differences were found; most of them were over 25 years of age irrespective of the type of employment problem which they faced.

**B. Education.**

In terms of the educational attainment of individuals with employment problems, three different educational levels were defined for the analysis: (1) up to primary which includes 4 out of 63 individuals who did not have any education at all; (2) secondary which includes those individuals with some years of secondary education or those who completed high school; and (3) superior which are those individuals with at least one year of technical or university education. In general, the schooling of the population with employment problems was very low as is shown by the fact that 56.8 percent of the sample had no more than primary education.

TABLE 3.

Education and Type of Employment Problems of Men and Women.

education	MEN			WOMEN			All
	under	unempl	inact wish.	under	unempl	inact wish.	
up primary	75.0	45.5	100.0	59.3	41.2	50.0	56.8
secondary	20.8	54.5	0.0	29.6	41.2	38.9	35.1
superior	4.2	0.0	0.0	11.1	17.6	11.1	8.1
Total	100(24)	100(22)	100(3)	100(27)	100(17)	100(18)	100(111)

Chi-square for men= 8.2 Not significant at 95% confidence level (only at 90%).

Chi-square for men excluding cases of inactive wishing to work= 6.2 Significant at 95% confidence level.

Chi-square for women= 1.6 Not significant at 95% confidence level.

Results in Table 3 show that there were differences in the educational attainment of men; moreover, excluding the three cases of men who were inactive but expressed a wish to work, there was a statistically significant relationship at the 95% confidence level

between the schooling of men and their employment situation. As many as 75 percent of those underemployed had no more than primary education in contrast to 54.5 percent of unemployed men who had secondary education. This difference might be explained in a twofold way; first, by the fact that most unemployed men were youngsters who, due to the expansion of educational programmes in the last 15 years (as seen in chapter 2), had more opportunities to study than those from older ages. The second explanation could be the greater financial responsibilities which older men might have towards their households; this would have restricted their possibilities to further their education.

Unlike men, there was no significant relationship between the education and type of employment problems of women. However, an interesting finding was that 17.6 percent of unemployed women had superior studies which suggests the presence of household commitments that might have either limited the time devoted by these women to search for jobs or conditioned the type of jobs which they could take (flexible hours, proximity to house, etc.) The size of the sample does not allow us to draw any conclusion about it, but this is an issue which is worth further analysis - in particular for policy makers aiming to provide equal employment opportunities for men and women.

Turning now to the educational level of individuals with employment problems grouped by age, Table 4 shows that the majority of youngsters who were unemployed or inactive wishing to work had at least secondary education while 52.6 percent of those underemployed had no more than primary education. In addition, most individuals of prime age who were underemployed or inactive

wishing to work had low educational attainment in contrast to those unemployed of whom 58.8 percent had secondary or superior studies. All the old individuals, irrespective of the type of employment problem which they faced, had low levels of education.

TABLE 4.

Education and Type of Employment Problems of Individuals  
According to Age Groups\*.

education	YOUNG			PRIME			All
	under	unempl	inact wish.	under	unempl	inact wish.	
up primary	52.6	42.9	25.0	66.7	41.2	62.5	56.8
secondary	26.3	52.3	62.5	33.3	47.0	25.0	35.1
superior	21.1	4.8	12.5	0.0	11.8	12.5	8.1
Total	100(19)	100(21)	100(8)	100(24)	100(17)	100(8)	100(111)

Chi-square for young= 5.4 Not significant at 95% confidence level.

Chi-square for prime= 4.9 Not significant at 95% confidence level.

\* The fourteen individuals with employment problems who were old are not included in the table but all of them had no more than primary education; statistics could not be computed because the number of no-empty rows or columns was not greater than one.

Despite differences in the education of individuals from varied age groups, there was no statistically significant relationship between their education and type of employment problems which they had. Therefore, it is not possible to draw any conclusion about their relationship, though in the case of young people, results might indicate the presence of limited job opportunities for those with higher levels of education or the fact that young educated people had inappropriate job expectations for their qualifications (as addressed in the analysis of the job search process of unemployed people in chapter VII). Moreover, the fact that - unlike young unemployed people - the majority of young

underemployed people had no more than primary education suggests the need for youngsters with low levels of education to accept any job, in particular those with poor working conditions such as informal or occasional work.

Finally, the low level of educational attainment of individuals of prime age who were underemployed might reflect the presence of household responsibilities which would have prevented them from furthering their studies; another plausible explanation might be that because of the combination of household responsibilities and low levels of education, these individuals had to obtain jobs which did not require the full utilization of their labour or skills.

C. Status in household.

Having looked at sex, age, and educational differences of individuals with employment problems, it is important to analyze their characteristics in terms of status in their households. The reason being that this characteristic will provide valuable information for the study of the effects of and responses to employment problems of individuals and their households since it might be expected that the impact of employment problems at the household level would differ according to the status of the person affected and, consequently, individuals and households responses will probably vary (chapters VI and VII). For the purpose of the analysis, two categories are used; the first - head - refers to individuals who are perceived by others as the head of their households while the second category is non-heads which includes all members of a household with the exception of its head.

TABLE 5.

Status in Household and Type of Employment Problems.

status	under	unempl	inact wish	All
heads	46.2	15.4	13.6	29.2
non-heads	53.8	84.6	86.4	70.8
Total	100(52)	100(39)	100(22)	100(113)

Chi-square= 13.4 Significant at the 99% confidence level.

Table 5 shows that the majority of the population with employment problems were non-heads. Moreover, a strong statistically significant relationship was found between status in household and the different types of employment problems faced by individuals. For example, over 80 percent of the individuals who were either unemployed or inactive wishing to work were non-heads in contrast to those underemployed of whom almost half were heads. The latter suggests that heads, when facing employment problems, had to rely on informal, occasional or badly paid work to compensate for the loss of income and the resulting hardship.

With respect to the sex composition of heads, results indicate that the majority of them were men - irrespective of their employment problems. Despite the fact that there was not a significant association between the sex of heads and the type of employment problems which they faced, the findings in Table 6 suggests that the predominance of men amongst heads responds to the already mentioned cultural influence of machismo; additionally, the high percentage of men among underemployed heads reflects the fact that, in line with the financial responsibilities of male heads towards their households and in the absence of an income maintenance

programme, they had to do any type of job to offset the hardship likely to be faced by their households.

TABLE 6.

Sex and Type of Employment Problems of Heads and Non-heads.

sex	HEADS			NON-HEADS			All
	under	unempl	inact wish	under	unempl	inact wish	
male	70.8	66.7	100.0	25.0	54.5	0.0	43.4
female	29.2	33.3	0.0	75.0	45.5	100.0	56.6
Total	100(24)	100(6)	100(3)	100(28)	100(33)	100(19)	100(113)

Chi-square for heads= 1.3 Not significant at 95% confidence level.

Chi-square for non-heads= 17.5 Significant at the 99% confidence level.

Contrary to the case of heads, a strong statistically significant association of the same kind was found for non-heads (ie, between sex and type of employment problems); 75 percent of underemployed non-heads and all inactive non-heads wishing to work were women while 54.5 percent of unemployed non-heads were men. The higher percentage of women amongst underemployed non-heads might be explained in terms of the preference or necessity of women to work part-time or to do jobs such as paid domestic work (maids), activities which are typical cases of underemployment. Likewise, the fact that all non-heads who were inactive but wished to work were women is explained in terms of the type of household responsibilities which women have (care of children, cooking, washing, ironing, cleaning, etc.); consequently, since these responsibilities have to be carried out in their home, women were not able to join the labour force.

TABLE 7.

Age and Type of Employment Problems of Heads and Non-Heads.

age	HEADS			NON-HEADS			All
	under	unempl	inact wish	under	unempl	inact wish	
young	12.5	0.0	0.0	57.1	63.6	42.1	42.5
prime	58.3	83.3	33.3	39.3	36.4	42.1	45.1
old	29.2	16.7	66.7	3.6	0.0	15.8	12.4
Total	100(24)	100(6)	100(3)	100(28)	100(33)	100(19)	100(113)

Chi-square for heads= 3.7 Not significant at 95% confidence level.

Chi-square for non-heads= 7.3 Not significant at 95% confidence level.

Looking at the age structure of heads (Table 7) it was found that, as expected, the majority of them were over 25 years of age irrespective of the type of employment problem which they faced. The reason for this is that - in addition to the aforementioned cultural influence of machismo (most heads were men) - there seems to be a link between hierarchy and age; that is, older people, in particular men, are more likely to be seen as heads by the other members of their households.

Unlike heads, most non-heads were young with the exception of those who were inactive wishing to work. The age structure of those inactive wishing to work is explained by the fact that most of them were women who due to their age were more likely to have greater household responsibilities which limited their opportunities to join the labour force. Nevertheless, in spite of differences in age between heads and non-heads, it is not possible to draw any conclusion regarding the extent to which these differences were related to the employment circumstances of these individuals since no significant association was found between age



and the type of employment problems which heads and non-heads faced.

TABLE 8.

Education and Type of Employment Problems of Heads and Non-heads.

education	HEADS			NON-HEADS			All
	under	unempl	inact wish	under	unempl	inact wish	
up primary	83.3	50.0	100.0	51.9	42.4	50.0	56.8
secondary	12.5	50.0	0.0	37.0	48.5	38.9	35.1
superior	4.2	0.0	0.0	11.1	9.1	11.1	8.1
Total	100(24)	100(6)	100(3)	100(27)	100(33)	100(18)	100(111)

Chi-square for heads= 5.6 Not significant at 95% confidence level.

Chi-square for non-heads= 0.9 Not significant at 95% confidence level.

Finally, Table 8 shows that most heads and non-heads had no more than primary education, with the exception of unemployed non-heads who had better academic qualifications. Furthermore, there are some interesting findings regarding the education of heads and non-heads according to their employment problems: for instance, the proportion of underemployed heads with a low educational level which was higher than that of underemployed non-heads; the educational attainment of unemployed non-heads was higher than that of unemployed heads. However, since there was no significant association between education and type of employment problems of heads and non-heads, age differentials and household responsibilities seem to be the factors which might account for these differences.

1.2 Household circumstances.

In addition to the personal characteristics of individuals with employment problems; it is important to analyze their

household circumstances since this might facilitate the understanding of the responses given by individuals and their households to the occurrence of employment problems (addressed in chapter VII). Moreover, the study of household circumstances of people with employment problems will enable us to assess the extent to which differences in household circumstances are related to the nature of their members' employment problems. For that purpose, the remainder of this section is devoted to the comparison between the economic situation, size, and structure of households according to the different types of employment problems which their members faced.

TABLE 9.

Economic Situation of Households and Type of Employment Problems.

economic sit.	under	unempl	inact wish	All
poor	70.0	68.6	61.9	67.9
low income	24.0	25.7	33.3	26.4
better-off	6.0	5.7	4.8	5.7
Total	100(50)	100(35)	100(21)	100(106)

Chi-square= 0.7 Not significant at 95% confidence level.

Findings in Table 9 indicate that the majority of individuals, independently of the type of employment problem which they had, came from poor households. Thus, there was no significant association between the economic situation of individuals' households and their type of employment problems. Nevertheless, it is important to bear in mind these results since they suggest the existence of a relationship between poverty and employment problems; this relationship was fully discussed in chapter II and in terms of the case of Costa Rica, will be looked at in the following chapters.

TABLE 10.

Size of Household and Type of Employment Problems.

size	under	unempl	inact wish	All
small	21.2	10.3	22.7	17.7
medium	38.5	46.2	36.4	40.7
large	40.3	43.5	40.9	41.6
Total	100(52)	100(39)	100(22)	100(113)

Chi-square= 2.4 Not significant at 95% confidence level.

For the analysis of the size of households three categories were defined: small which refers to households with a maximum of three members; medium households with four to six members; and large households with at least seven members. Table 10 shows that most individuals with employment problems came from households with at least four members; this is an important finding which might underline the importance of social support for households in periods of hardship, as will be seen in chapter VII.

Another interesting finding was that, proportionately speaking, the percentage of unemployed individuals who came from small households was half that for individuals who had other type of employment problems. This might reflect the fact that once people lose their jobs, and in the absence of an income maintenance programme, they have to embark on any informal activity to compensate for the loss of income, particularly if they come from small households where he or she was probably the only earner. However, these possibilities will be looked at in an exploratory way in chapter VII because - probably due to the small size of the sample of the case study - there was not a statistically significant

relationship between size of household and type of employment problems.

Finally, regarding the structure of households, different types of kinship ties were present in each household; in an effort to simplify the analysis, the following four categories were defined: nuclear which includes couples or parents with their children; extended which in addition to couples with or without children includes other members such as uncles, cousins, in-laws, and grandparents; woman with child(ren), and other which includes brothers, cousins, uncles, nephews, and so on. The decision to create a separate category of woman with child(ren) was based on the assumption that this type of households are amongst the most affected by employment problems and therefore should be seen as a target group for policy makers.

Results in Table 11 indicate that the proportion of individuals with employment problems who belonged to nuclear households was twice that of those whose household structure comprised either an extended household or woman with children. Comparing the household structure of individuals grouped according to the type of employment problems which they faced, some differences were found; for example, as many as 68.2 percent of those inactive wishing to work belonged to nuclear households in contrast to under 40 percent of those with other type of employment problems. The higher percentage of cases of inactive individuals wishing to work who came from nuclear households might be explained by the fact that the majority of them were women; thus, their household duties and perhaps the lack of nursery facilities did not give them any opportunity to join the labour force.

TABLE 11.

Structure of Household and Type of Employment Problems.

structure	under	unempl	inact wish	All
nuclear	36.5	41.0	68.2	44.2
extended	26.9	17.9	22.8	23.0
woman w/children	28.8	28.3	4.5	23.9
other	7.8	12.8	4.5	8.9
Total	100(52)	100(39)	100(22)	100(113)

Chi-square= 9.9 Not significant at 95% confidence level (only at 90%).

Another interesting finding with relevance for policy is the fact that almost three in ten individuals who were underemployed or unemployed belonged to households of the category "woman with children". These households seem to be less protected than others since household duties might prevent the head from joining the labour market. Their cases will be analyzed in more detail in the next two chapters.

Despite differences in terms of the household structure of individuals with employment problems, it is not possible to conclude that these differences were related to the individuals' types of employment problems since the association between both variables was weak (significant at the 90% confidence level).

To recapitulate, the findings of this section show that most people with employment problems were women, young or of prime age, with low levels of education, and non-heads. Additionally, they came predominantly from poor households with at least four members and of the nuclear kind. Furthermore, an attempt was made to

assess the extent to which differences in personal and household circumstances of individuals with employment problems were related to the type of occupational problem which they faced.

Differences in terms of sex, age and education of men, status in household and sex of non-heads were found to be related to differences in type of employment problems. Finally, with respect to household circumstances of the population with employment problems, only a weak association (90% confidence level) was found between the structure of households and the type of employment problems which individuals had.

## 2. Comparison between circumstances of individuals with and without employment problems.

In the preceding section, the discussion focused on the personal and household circumstances of individuals with employment problems as well as the extent to which differences in their circumstances were related to the type of employment problem which they faced. Since the analysis was based on individuals whose employment situation was problematic, it did not show how different were their circumstances from those of fully employed individuals. In order to assess differences between individuals from both populations, their personal circumstances are compared in this section.

But before this is done and for the purpose of the investigation, it is important to remind the reader about the origin of the population of fully employed individuals. This population was drawn from the General Household Survey of July, 1985 (GHS) ; it

comprised individuals who worked at least 48 hours per week and earned more than the minimal vital income, and who - as already mentioned - came from the same geographical areas as the population with employment problems. Moreover, the comparison between both populations is restricted to the personal circumstances of individuals; there are two reasons for this, firstly because unlike the case study (population with employment problems) the GHS only includes information on individuals and secondly, even if an effort had been made to rearrange individual data on a household basis, differences in terms of concepts such as economic situation or uncomparable concepts like household structure would have limited the value of such comparisons.

#### 2.1 Sex and age differentials.

With respect to the sex composition of both populations, there were differences since the majority of individuals with employment problems were women in contrast to those fully employed of whom 61.4 percent were men (Table 12). Furthermore, results show that there was a statistically significant association at the 99% confidence level between the sex composition of individuals and their employment situation (ie, with or without employment problems).

On the one hand, the female orientation of the population with employment problems can be explained by the incorporation of the category of inactive wishing to work as one of the types of employment problems which meant the inclusion in the analysis of many women whose employment situation is commonly overlooked by official statistics (ie, GHS). On the other hand, the male predominance amongst the population who were fully employed

reflected the cultural influence of machismo under which men's role is perceived as the main contributor to the household's income.

TABLE 12.

Sex Composition and Employment Situation.

sex	with*	without**
male	43.4	61.4
female	56.6	38.6
Total	100(113)	100(516)

Chi-square= 12.5 Significant at 99% confidence level.

\* with refers to the population of individuals who were underemployed, unemployed or inactive wishing to work.

\*\* without refers to the population of individuals who were fully employed.

Incorporating age into the analysis, the comparison indicates that most men, irrespective of their employment situation, were over 25 years of age. However, differences regarding the age of women were associated to their employment circumstances; for example, Table 13 shows that the percentage of young women was higher amongst those with employment problems than that of fully employed women (43.7 and 32.2 percent respectively); additionally, a higher proportion of fully employed women were of prime age in comparison with those who faced employment problems. Thus, these findings demonstrate the existence of a strong statistically significant relationship between age and employment situation of women.



TABLE 13.

Age and Employment Situation of Men and Women.

age	MEN		WOMEN	
	with	without	with	without
young	40.8	36.6	43.7	32.2
prime	42.9	50.5	46.9	62.8
old	16.3	12.9	9.4	5.0
Total	100(49)	100(317)	100(64)	100(199)

Chi-square for men= 1.0 Not significant at 95% confidence level.

Chi-square for women= 5.5 Significant at the 99% confidence level.

2.2 Education.

The level of schooling was lower for individuals with employment problems than that for those fully employed; as many as 56.8 percent of the former had no more than primary education in contrast to 40 percent of those who were fully employed (Table 14). Therefore, a strong statistically significant relationship was found between education and the employment situation of individuals of both populations.

TABLE 14.

Education and Employment Situation.

education	with	without
up primary	56.8	40.0
secondary	35.1	43.7
superior	8.1	16.3
Total	100(111)	100(508)

Chi-square= 11.8 Significant at 99% confidence level.

Differences in education and employment circumstances suggest that education was an important criteria used by employers to allocate jobs; therefore, it seems that education acted as a discriminant factor against those with low levels of education since they ended up with fewer job opportunities than those better educated. The low educational qualifications of individuals with employment problems is also consistent with the use of education as a job screening device.

Nevertheless, rather than trying to identify the causal relationship (and direction of it) between employment circumstances and education, the aim here is to compare the personal characteristics of both populations; thus, for a better understanding of the differences in terms of the educational attainment of individuals with and without employment problems, it is important to incorporate into the analysis the sex composition and age structure of individuals of both populations.

TABLE 15.

Education and Employment Situation of Men and Women.

education	MEN		WOMEN	
	with	without	with	without
up primary	63.3	42.8	51.6	35.5
secondary	34.7	43.1	35.5	44.7
superior	2.0	14.1	12.9	19.8
Total	100(49)	100(311)	100(62)	100(197)

Chi-square for men= 9.6 Significant at 99% confidence level.

Chi-square for women= 5.4 Significant at the 95% confidence level.

With respect to the education of men with or without employment problems, table 15 shows that there was a strong statisti-

cally significant association between their schooling attainment and their employment situation; for example, as many as 63.3 percent of men with employment problems had no more than primary education compared to 42.8 percent fully employed men with similar academic qualifications. The association of women's education with their employment situation was also significant but weaker than that for men; just half the population of women with employment problems had up to primary education in contrast to one-third of those fully employed.

Last but not least, the education of individuals of both populations grouped according to their age is analyzed. Table 16 shows that the percentage of youngsters with low levels of education (up to primary) was higher amongst those with employment problems; the reason for this probably lay in the fact that young people with low levels of education were more prone to face employment problems, especially if, as aforementioned, education was being used by employers as a job screening device. However, further research would be necessary to be able to test the veracity of this explanation since no significant relationship between the education and employment circumstances of youngsters was found.

With respect to old people, an interesting finding was that every old individual in the sample with employment problems had no more than primary education; likewise, the educational level of the majority of fully employed old people was low (86 percent). The low educational level of older people from both populations can be explained in terms of the already cited lack of opportunities for old people to study; educational services were only

substantially improved and expanded in the last fifteen years but, probably, old people's household responsibilities provide a more plausible explanation for their low levels of schooling since their domestic duties, which were time-consuming, prevented them from furthering their education.

TABLE 16.

Education and Employment Situation of Individuals Grouped by Age.

education	Young		Prime		Old	
	with	without	with	without	with	without
up primary	43.8	29.2	57.2	38.4	100.0	86.0
secondary	43.8	61.2	36.7	38.4	0.0	12.0
superior	12.5	9.6	6.1	23.2	0.0	2.0
Total	100(48)	100(178)	100(49)	100(276)	100(14)	100(50)

Chi-square for young= 4.8 Not significant at 95% confidence level.

Chi-square for prime= 9.5 Significant at 99% confidence level.

Chi-square for old= 2.1 Not significant at 95% confidence level.

Unlike youngsters and old people, a strong statistically relationship was found between the education and employment circumstances of individuals of prime age. Results in Table 16 indicate that the lower level of education of individuals of prime age with employment problems was related to their employment situation; thus, the fact that as many as 61.1 percent of fully employed individuals from the same age group had at least secondary education highlights the importance which education had as a provider of job opportunities.

### 2.3 Status in Household.

TABLE 17.

#### Status in Household and Employment Situation.

status	with	without
head	29.2	42.9
non-head	70.8	57.1
Total	100(113)	100(520)

Chi-square= 7.2 Significant at 99% confidence level.

There were major differences regarding the status in household of people with or without employment problems; most individuals from both populations were non-heads but differences were more acute amongst those with employment problems since 70.8 percent of them were non-heads in contrast to 57.1 percent of those fully employed.

Therefore, a strong statistically significant relationship was found in table 17 between status in household and employment situation of individuals from both populations. The lower proportion of heads amongst those with employment problems reflects the fact that people (especially heads), when out of work and in the absence of income maintenance programmes, cannot afford to be idle, so chances are that some heads, out of necessity, continue working in low paid jobs.

Furthermore, it was found that sex differences among heads from both populations were not related to their different employment circumstances. Table 18 indicates that over 70 percent of heads with or without employment problems were men. Unlike heads, sex

differences among non-heads were related to differences in their employment situation (99% confidence level); for example, 68.8 percent of non-heads with employment problems were women in contrast to 52.5 percent of those who were fully employed. The incorporation of people inactive wishing to work might explain this difference because, as already seen, most people who fell under this category were women.

TABLE 18.

Sex and Employment Situation of Heads and Non-heads.

sex	HEADS		NON-HEADS	
	with	without	with	without
male	72.7	79.8	31.3	47.5
female	27.3	20.2	68.8	52.5
Total	100(33)	100(256)	100(80)	100(297)

Chi-square for heads = 0.8 Not significant at 95% confidence level.

Chi-square for non-heads = 6.7 Significant at 99% confidence level.

Looking at the age of heads, no major differences were found; Table 19 indicates that, as expected, more than 90 percent of the heads from both populations were over 25 years of age. The results confirm the relationship which exists between age and status in household since older people are commonly considered to be heads of their households (especially men). Because this applies to heads with or without employment problems, it might be concluded that no significant relationship existed between age and the employment situation of heads. Similarly, Table 19 shows that there was not a significant association of the same kind for non-heads because, irrespective of their employment situation, more than half of them were young.

TABLE 19.

Age and Employment Situation of Heads and Non-heads.

age	HEADS		NON-HEADS	
	with	without	with	without
young	9.1	10.0	56.3	53.4
prime	60.6	71.4	38.8	43.2
old	30.3	18.6	5.0	3.4
Total	100(33)	100(220)	100(80)	100(296)

Chi-square for heads = 2.5 Not significant at 95% confidence level.

Chi-square for non-heads = 0.8 Not significant at 95% confidence level.

Last, regarding the educational attainment of heads, a strong statistically relationship was found in terms of their educational levels and their employment situation; Table 20 shows that the majority of heads with employment problems (78.8 percent) had no more than primary education in contrast to those fully employed heads whose educational level was higher (54 percent had at least secondary education). These differences suggest that education was a factor which discriminated against the employment situation of heads since those with lower academic qualifications were more likely to have fewer job opportunities than better educated heads.

TABLE 20.

Education and Employment Situation of Heads and Non-heads.

education	HEADS		NON-HEADS	
	with	without	with	without
up primary	78.8	46.0	47.4	35.5
secondary	18.2	35.3	42.3	49.8
superior	3.0	18.7	10.3	14.7
Total	100(33)	100(215)	100(78)	100(293)

Chi-square for heads =12.9 Significant at 99% confidence level.

Chi-square for non-heads = 3.9 Not significant at 95% confidence level.

Unlike heads, findings in Table 20 demonstrate that though the level of education amongst non-heads with employment problems was lower than that of fully employed non-heads, differences were not as big as those between heads from both populations; in addition, the educational differences of non-heads were not related to differences in their employment circumstances.

To summarize, some differences regarding the personal characteristics of individuals from both populations were found to be associated with differences in their employment situation; more specifically, differences in terms of sex, age of women, education of men and women, education of individuals of prime age, status in household, sex of non-heads, and education of heads were related to differences in the employment circumstances of individuals.

#### CONCLUSIONS.

The aim of this chapter was to identify and study the principal characteristics of individuals with employment problems. For this purpose, their personal and household circumstances were analyzed in the first section. The major features of the population with employment problems can be summed up as being predominantly female, young, with low academic qualifications, and non-heads. In terms of their household circumstances, the majority came from poor households and belonged to households with at least four members and of the nuclear kind.

Because the type of employment problems differed among the individuals of the sample who comprised the population with employ-



ment problems, individuals were grouped according to the type of occupational problem they faced. This was also done with the intention of assessing the extent to which differences in personal and household circumstances were related to differences in employment problems. First of all, a significant difference between sexes was found, with the majority of underemployed or inactive individuals wishing to work being women, while most unemployed were men. The predominance of women in the population with employment problems is explained by the incorporation of the category of "inactive wishing to work" which, as seen, refers to individuals who would like to but could not join the labour force due to their household responsibilities or age (over 80 percent of them were women).

Furthermore, differences in the age of men were related to differences in the type of employment problems which they faced; the fact that, unlike the rest of men, most unemployed men were young, probably reflects their higher academic qualifications and fewer household responsibilities (ie, non-heads) which allowed them to spend more time searching for jobs. The first factor (academic qualifications) is supported by the finding that the educational attainment of unemployed men was higher than that of men who were either underemployed or inactive wishing to work. The second factor (household responsibilities) was also supported by the finding that the majority of unemployed non-heads were young.

Regarding the status in household, results demonstrated that the greater the economic responsibilities towards the household, the more likely individuals were to perform any type of job (occasional, badly paid, part-time, informal) to offset the impact

of employment problems. This is shown by the fact that the percentage of heads who were underemployed was three times that of heads who faced other type of employment problems. As already discussed, machismo and age - rather than their type of employment problems - seem to be elements which explained these differences. Another interesting finding was that sex differences amongst non-heads were related to differences in employment problems, as most underemployed or inactive non-heads wishing to work were women, in contrast to the majority of unemployed non-heads who were men. These differences might be explained in terms of the preference or need of women to work part-time or to do other jobs which are typical of underemployed occupations, as well as the type of household responsibilities of women (cleaning, care of children, etc.) which prevented them from joining the labour force.

Differences in household circumstances were not associated with differences in the type of employment problems which individuals faced with the exception of the structure of households, though the association was weak (90% confidence level); the latter is elucidated by the high percentage of inactive individuals wishing to work who came from nuclear households (68 percent) in contrast to those with other type of employment problems. The female orientation of those inactive wishing to work, their household responsibilities, and the lack of nursery facilities or other arrangements to release some of their domestic duties accounted for the high incidence of inactive individuals wishing to work who came from nuclear households.

To put the findings of the first section in context, the personal characteristics of individuals with employment problems were

compared in the second section with those of fully employed individuals from the same geographical areas. Differences in sex, age of women, education, education of individuals of prime age, status in household, sex of non-heads and education of heads, were associated with differences in the employment circumstances of individuals from both populations.

The predominance of women amongst individuals with employment problems reflects the inclusion of the category of inactive wishing to work as well as the culture of machismo under which men are expected to be the main contributors to the finances of their households; thus, as expected, it was found that over 60 percent of fully employed individuals were men. In term of age differences for women, the higher percentage of fully employed women over 25 years of age might reflect the incorporation, at a late stage in their working cycle, of women into the labour market. This incorporation often occurred once they had spent time raising their children and managed to make the necessary arrangements to have more time free to work.

Regarding education, a stronger association was found for men than for women but, overall, results showed that education was a discriminatory factor which - to some extent - determined the employment situation of individuals from both populations; as one might have expected, people with employment problems had lower academic qualifications. In addition, differences in the educational level of people of prime age of both populations were related to differences in their employment circumstances as the majority of those with employment problems had no more than primary education.

Finally, the percentage of individuals who were heads of household was highest amongst the fully employed individuals. This difference suggests that since heads - in the absence of an income maintenance programme - cannot afford to be without work, then, they may be more prone to continue working in, or to accept any available jobs however low paid or unsatisfactory. Moreover, in terms of the sex composition of non-heads, differences were related to their employment situation; the fact that the majority of non-heads with employment problems were women is again explained by the predominance of women amongst inactive individuals wishing to work. In addition, differences in the educational attainment of heads were found to be associated to their employment situation which also suggests that education was a factor which discriminated against the employment situation of heads. That is, heads with lower academic qualifications had fewer job opportunities as shown by the fact that a greater percentage of heads with employment problems had low levels of education.

## CHAPTER VI.

### THE IMPACT OF EMPLOYMENT PROBLEMS

This chapter deals with the effects caused by employment problems on individuals and their households. As seen earlier in the chapter reviewing existing evidence on the impact of unemployment; it is extremely difficult to identify the causal relationship between unemployment and other economic and social factors. Thus, the aim of this chapter is not so much to succeed where many studies have failed in their attempt to determine direction of causality between social and economic elements, but rather to look at and analyze the effects as perceived by those facing employment problems.

In general, the main objective of this chapter is to describe and analyze the perceived impact of employment problems on individuals and their households. Unlike most studies which mainly focus on the situation of jobless individuals, the household has been incorporated as an important element of analysis. This should elucidate the role which the family might play as a source of protection in a society where there are no income maintenance programmes for jobless individuals. It should also identify the extent to which household responsibilities and circumstances impose their own burdens on the same people with employment problems.

The decision to record the responses of individuals with employment problems and those of other members of their households involved in the daily running of their households, was based on the belief that through the comprehension of the feelings of those affected and the study of their views on some of the effects commonly linked to the occurrence of any employment problem, it would be possible to analyze in depth the individual and household responses to these problems.

Because of the complexity of the subject and the difficulty of assessing the causal relationship between economic and social factors, this chapter does not attempt to identify the direction of causality. Reasons for that are, among others, the aforementioned subjectivity of the answers recorded and the lack of objective parameters which could be used to check the validity of their answers. For example, if an individual answers that, due to his unemployment, his health deteriorated, this information is not sufficient to conclude that there is a causal relationship between unemployment and health. There is no information on his medical records over a comprehensive period of time nor an extensive job history with reference to the nature of his previous employments and any health problem that arose from the performance of any hazardous job done during that period. Even if this information were available, the direction of causality would be very difficult to identify, as shown by the studies of S. Kasl et al (1972), and Catalano and Doley (1979).

With the financial and time resources available for this research, it would have been impossible to carry out an exhaustive analysis of the effects of employment problems on individuals and

their households. Hence the decision to concentrate on the analysis of the effects as perceived by those directly affected and to focus the research on the study of their responses to these contingencies.

Another element which influenced this decision was the necessity to incorporate into the analysis other employment problems, such as underemployment and inactive wishing to work which, as already discussed, are, in conjunction with unemployment, better indicators of the diverse employment problems which Costa Ricans face. Furthermore, the use of a broader definition of employment contingencies should facilitate the study of responses to employment problems. For example, it might be possible to find out the extent to which underemployment is a response to labour market conditions rather than a decision of an individual to work less. Moreover, such a study should also provide valuable information about the informal sector in Costa Rica and its importance as a strategy for survival.

The discussion of the effects perceived by respondents as being linked to their employment problems is divided into two sections. The first deals with the impact of employment problems at the household level, in particular, the perceived effects on health, family life, and education. In the second section some cases are presented to highlight the dimension of the impact caused by employment problems at the household level.

I. The Impact of Employment Problems on Individuals and their Households.

The impact of employment problems at the individual and household level is analyzed in this section. The discussion is based on perceived effects associated with the occurrence of any employment contingency by those directly affected or by other members of their households who participated in the interview.

For the purpose of this investigation, questions were asked on changes which might have taken place on health, family life and education. Additionally, an inquiry was made on the experiences of jobless individuals. They were asked about their feelings regarding their unemployment; the reasons for this were first, to assess the impact of unemployment on their psychological well-being and second, to study the extent to which their feelings might explain differences in job search behaviour and other individual responses (as addressed in chapter VII). However, due to the variety of responses given to the question, it was practically impossible to codify them; therefore, the analysis in this section focuses on the perceived effects of employment problems on health, family life, and education.

But before the analysis is presented, it is important to look at some of the responses of unemployed individuals, not only to demonstrate the difficulties faced when trying to classify them but also to illustrate how jobless people felt about becoming unemployed.



In general, jobless individuals identified the impact of unemployment in a negative way. For some of them, unemployment was a stressful experience which affected their well-being. Loss of self-esteem and dignity, social isolation and the feeling of frustration at not being able to work were some of the effects which respondents linked to their unemployment. However, there were six cases (out of 39) of jobless individuals who either mentioned that there were no ill-effects caused by their unemployment or that the impact was positive.

Factors such as lack of satisfaction in their last job, previous experiences of unemployment, nature of the occupation of an individual, and the ease of entry and availability of opportunities in the informal sector seem to explain the reasons for which these individuals expressed the view either that unemployment did not cause any ill-effect or that the impact was positive.

For example, a first time unemployed young man with no more than primary education and who came from a large and poor household located in the Central Valley said ...

" In my last job I worked too many hours, the pay was very low and because of the intensity of the work, I could not make friends at work. As soon as we finished the day's work, we used to rush home and rest. Nowadays, I feel much better because I do occasional work whenever I want to; but I am looking for a job because I prefer to have a stable job."

This is the case of an individual for whom the termination of his last job did not produce ill-effects; on the contrary, due to

the working conditions of his last job, he expressed some sort of relief.

Another young man from the Central Valley with only primary education who came from a large and very poor household and who had been unemployed for four months stated...

" I have had several spells of unemployment. I do not feel too bad about it because my family helps me and I do occasional jobs. In my last job I had problems with my workmates but now I feel better, I work with those I want to and do jobs which I enjoy doing. However, at the same time I am looking for a permanent job because I don't know if my luck will change and then I will not be able to find odd jobs."

Like the previous case, problems in his last job as well as his past job experiences seem to mitigate the effects of unemployment on this individual; also the support of his household offset the impact of unemployment.

The nature of a person's occupation is another factor which may, to some extent, account for the positive, if minimal, impact which unemployment might cause. The case of a young fisherman with secondary education who had been unemployed for six months and who belonged to a large and poor household from Puntarenas illustrates this. To the question about his feelings when jobless, he responded...

" Since I lost my job, I am alright. I am used to spending some periods idle because of the nature of my occupation. This time, I have been unemployed for three months but I am optimistic about finding a job pretty soon. Anyhow, I can join any fishing boat anytime I want. I know most of the fishermen and we get along."

Having seen some of the few cases for whom unemployment did not cause any negative effect, the following responses illustrate the variety of ill-feelings expressed by the majority of jobless individuals. First, a young man with primary education who had been unemployed for nine months and who came from a large and poor household located in the Central Valley replied...

" Since I lost my job I am very anxious and tense because I am used to and like to work, but despite my efforts I have not been able to find a job. What's more, I feel really depressed because I cannot help my family and support a child I have outside my family."

Second, there was the case of a young long-term unemployed man with secondary education; he came from a medium size household with no members under twelve years of age and whose economic situation was poor. When asked about his feelings regarding his unemployment, he responded...

" I feel miserable, I am depressed. My wife left me, my friends have let me down. I tried to make new friends but it has been very difficult. I do not know what to do about it. Maybe, whenever I get a job, things will be normal again; it seems that when you are unemployed, people do not respect you; they think is your fault, that you are a vagabond but they don't know how hard I have tried to find a stable job."

A last example is the head of a medium size and very poor household from Limon; he was 39 years of age, had no more than primary education and was the only earner of his household but at the time of the interview had been unemployed for over a year. To the question on his feelings during that period, he said...

" I feel bad and ashamed, especially when my wife asks for money to buy food and I cannot give her any. I see all the necessities and hardship we have and feel anxious about it. I need to get a job as soon as possible because our situation is grave."

The examples given show how difficult it was to classify the answers of individuals regarding their feelings towards unemployment; each answer denotes the respondent's personal and household circumstances, his and her past job history, attitudes and social values. Consequently, the only conclusion which might be drawn from the study is that unemployment generated ill-feelings for the majority of jobless individuals (33 out of 39). However, it is still not clear the extent to which unemployment affected their individual well-being; thus, further research on the subject will be needed before any conclusion is reached about the individual impact of unemployment.

Turning now to the analysis of the impact of employment problems on health, family life, and education, it is important to bear in mind that due to the aforementioned methodological constraints such as the subjectivity of the answers, the lack of objective parameters and the short period of time available for the study, the following discussion has an exploratory rather than a conclusive character.

Nevertheless, the following discussion incorporates valuable information for the analysis of the responses of individuals and their households to the occurrence of employment problems and for the implementation of adequate policies to mitigate the impact of employment problems and to improve job opportunities for those af-

affected.

### 1.1. Effects on Health.

The relationship between employment problems and health is very difficult to assess. Apart from the methodological limitations already mentioned, sometimes there is a time lag between the occurrence of any occupational contingency and the manifestation of any health problem which makes it harder to analyze their causal relationship (Marsh, 1938; Brenner, 1980; Hill et al., 1973).

Individuals facing employment problems were asked about their health condition and that of their household's members during that period of occupational instability. Another question dealt with changes in the use of health services since being affected by employment problems. The latter was based on the assumption that though probably there were not visible problems in the health condition of individuals at the time of the interview, for those who were forced by their economic situation to stop contributing to the social security (C.C.S.S), there was a danger that subsequent limited access to health services might lead to a future deterioration on their health situation.

Every household was asked these questions but only 20 out of 83 households recorded changes in their health during periods when at least one of their members was facing any employment problem. The following discussion concentrates on these 20 cases.

1.1.A. Impact of employment problems on the health of individuals directly affected.

Regarding the health situation of individuals who faced employment problems and members of their households, only 15 cases identified changes which according to some of them were caused by the occurrence of the contingency. The case of a poor and large household with three unemployed individuals from Liberia illustrates this; the wife of the jobless head said...

" Everyone's situation is alright with the exception of my husband who drinks too much alcohol. He used to have a small business which went bankrupt. He blamed himself for the business failure and started drinking a lot. He tried to get jobs but did not manage to get any, so he started doing odd jobs. We just manage to make ends meet with the little money he gives me but I feel really bad because I used to have a good job which I left when I thought that our economic situation was improving. Lately, I am under a lot of stress. It is sad to see how things fall apart and my husband being defeated by alcohol."

According to the respondent, the alcoholism of her husband was caused by a change in his occupational situation as she mentioned that this was the first time that her husband had drinking problems. Also, the stress which the wife referred to could affect her health condition. Thus, unemployment was identified as having a negative impact on their health, the severity of it yet to be fully manifested.

Another example is that of an underemployed individual who previously experienced one year of unemployment and who came from a poor and medium size household from Puntarenas; he answered...

" When I was unemployed, I had problems of gastritis and I was always nervous and tense. After I got a job I felt much better and my stomach problems improved."

However, the lack of a medical record on his stomach problems and, particularly, the lack of information of other factors which might have affected his health do not permit us to draw any conclusion regarding the impact which his unemployed period inflicted on his health. Moreover, the case of another member of the same household who was underemployed shows how difficult is to assess the causal relationship between employment problems and health. This person replied...

" I suffer from a nervous stomach. When I was at school I had to spend every day from 7 a.m. to 5 p.m. without anything to eat because I did not have money to buy food; since then I have had stomach problems. I think that our economic limitations were responsible for my health condition."

#### Ill-health: cause for employment problems.

In contrast to these cases, 6 of the 15 individuals with employment problems identified their health problems as responsible for their occupational situation. An individual who was inactive but wished to work and who came from a low income and medium size household located in the Central Valley mentioned...

" Because of a problem with my sight and severe damage to the spine I had to quit my job as a foreman. I would like to work again but obviously not as a foreman; I have to look for a job which does not require much physical effort or a great deal of visual precision."

The respondent identified his health problems as responsible for his inactivity and the restrictions he faces in terms of the type of jobs he can perform. Another case is that of an under-employed head of a poor and medium size household from the Central Valley; he said...

" In 1974 I had an accident working on a building site. Since then I have had to rely on the informal sector because my disability does not allow me to join the construction sector."

The nature of the job performed explains his occupational situation as his work accident limited his job opportunities in the economic sector of his choice, ie, construction. Moreover, a prime age unemployed woman who came from a poor and large household, located in the Central Valley, also referred to a job accident as the cause of her employment problem...

" I broke a leg working in a house so I had to leave the job. I feel better but I cannot look for another job until my leg mends. My family does not want me to work again but I will; once my leg gets better I will start looking for a new job."

Her unemployment was the product of a job accident so in this case the deterioration in her health was directly responsible for her occupational situation.

Last but not least, there is the case of a young unemployed man whose household was poor, had five members and was located in Puntarenas. His health situation was referred to by his mother as responsible for his son's unemployment; she said...



" I have a son who is 21 years old and lives with me; he is unemployed because he is mentally retarded. I have tried to help him to get a job but only with God's help I will find a charitable soul to give him a job ".

As in the previous cases, the health condition was identified as the major reason for the employment problem faced by this person.

1.1.B. Changes in the health situation of other members of households with employment problems.

Apart from the answers given by individuals with an employment problem regarding their health, respondents from seven households associated changes in the health of other members of their households with their employment situation. The following cases illustrate this finding. First, the underemployed head of a large and poor household from Liberia responded...

" I am heavily in debt and the little money which I get from my job is not enough to satisfy the necessities of the family. As a result of the hardship that we face, my wife gets depressed and most of the time she is nervous and irritable. She takes tranquilizers all the time and I am worried that something bad will happen to her. The health situation of the rest of the family is fine but I do not know what would happen if my wife's health gets worse; I do not think I could cope with the children on my own."

Despite the employment problem of the head of this household, the health situation of everybody but his wife, was good. It seems, from the head's answer, that the wife's health situation was deteriorating due to the stress which their economic situation was imposing on the household.

Second, an unemployed young woman from a small and poor

household from Limon replied...

" My mother is very ill; she has problems with her bones and receives a pension and treatment from the hospital. My daughter and I also have health problems. I suffer from low pressure and my daughter has had several nasal haemorrhage and a recurrent kidney's infection from birth. We go more often to hospital but every time, we have to convince the nurses to accept us because since I left my job four months ago, we are not insured... The situation is affecting me a lot because I feel responsible for the hardship which we are facing. I need to get a job as soon as possible, otherwise the health of the family will get worse."

Last, a jobless young woman whose household, located in Limon, was large and poor said...

" Our health situation is bad; one child suffers from an allergy, my mother - who is retired - as well as a younger sister are always sick. My sister even had to leave school because of her health. The health of most of the members of the household has always been poor; things have not deteriorated since I lost my job but I am worried about our future because our needs increase and I am not able to get a job. Worst of all, we are not covered by social security because we cannot afford it anymore."

The last two cases suggest that the health situation of some members of these households had been poor, probably for a period longer than that in which members of these households had employment problems. However, even if there is no evidence that their employment situation had affected the health of some members, the hardship caused by their employment problems could be a contributory factor for any future deterioration which might occur as access to health services were limited by their loss of income. The next discussion highlights the restrictions which people with employment problems had to deal with regarding their access to health services.

1.1.C. Changes in the access and use of health facilities.

With regard to the issue of access to and use of health services, for two-thirds of the households which identified changes in their health, the employment problems faced by any of their members severed the use of these services. A member of a poor and large household from the Central Valley whose head was inactive but wished to work said...

" We used to have voluntary insurance when my husband was employed but since last year we had to cancel it because of our economic problems. For the time being we do not have any health problem but we are worried because if our health situation changes, we won't be able to afford doctors or medicines."

Another example is that of a poor and medium size household from Limon whose head was underemployed and in addition, two of its members were unemployed; the head replied...

" Our health situation is good but I had to stop contributing to the C.C.S.S in order to eat. I cross my fingers and pray that we will not get sick. I am a bit worried but food is the priority, isn't it ?."

This case as well as the previous indicate that though there were no changes in the health of members of these households, they expressed concern to the fact that they were not insured because they could not afford to pay the contributions; thus, for any health problem which might arise - irrespective of its cause - their access to health services was limited by their employment situation.

The cases of households whose health requirements were more urgent illustrate the impact which employment problems might have on health. First, there was a poor and large household whose head was underemployed but had previously been unemployed; his wife answered...

" My two daughters have suffered health problems. One of them has problems with her tonsils but we could not take her to the hospital because this happened during a period when my husband was unemployed and we were not insured; we could not afford to pay the cost of each visit to the doctor. Only once was she accepted at the hospital but they told us that the next time we had to pay because we were not insured. So, we had to use domestic cures to help her. My other daughter has problems with her legs. She needs orthopaedic rehabilitation and must wear special shoes. She used to attend rehabilitation sessions but after my husband lost his job, I had to stop taking her to these sessions and obviously I could not buy her the orthopaedic shoes."

This is an example of how the employment situation of the head of this household had an impact on the health of some of the members of his household. His employment problem was not the direct cause of these health problems but the economic hardship generated by it, prevented the cure and rehabilitation of his two daughters.

Another example is that of a large and poor household from the Central Valley. A jobless young man said...

" We do not have any health insurance; we cannot afford to contribute to the social security or pay private doctors, therefore we go to the hospital whenever we need to. But, sometimes the hospital is very busy and nurses tell us that they cannot treat us. We are more worried now because we are going to have a baby and we need more medical attention. I wish we had some sort of insurance but we do not even have enough money to pay the rent of the house."

Finally, there was a more grave case of a very poor old under-employed couple facing health problems, in particular the man. They lived in Puntarenas and the head worked making charcoal under severe environmental conditions; he responded...

" One day I came back home and while trying to load bags of charcoal I felt a terrible pain in my stomach. I rested for a while but when I went to the toilet my urine was full of blood. My wife took me to the hospital and they operated on me. They told me to stop doing what I was doing because I had kidney problems, more physical effort would have ended my life. However, we do not have any choice; we are not insured, we are very poor and we do not have any relatives or friends to help us so I have to go back pretty soon to the manglares (ie, swamp); otherwise we will starve to death."

This is perhaps the most severe health case included in this study. Insurance might have given them an invalidity pension but because of their history of employment problems and their inability to pay for insurance, he was forced by their circumstances to perform a job which was very dangerous for his health. This case has important policy implications as these type of households should be priorities for the policy-makers; without the assistance of the government such people will die.

#### 1.2. Effects on Family Life.

Employment problems might have an impact on the family life of households. The effects might be negative as long as tension and stress caused by employment problems disrupt family life. In some cases the impact can be of such magnitude that families split up. For other households with employment problems the impact might be positive. For instance, as a result of the occurrence of an

employment problem families get closer and help those individuals directly affected by employment problems; moreover, members might cooperate with the running of the household.

The changes in family life involved a dynamic process but the lack of information on family life and its economic situation before the occurrence of any employment problem to members of most households interviewed, does not permit the drawing of any conclusion regarding the dynamics of the causal relationship which exists between employment problems and family life and its magnitude. However, the information recorded should be of value in any analysis of the supportive role which the family plays in countering the effects of employment difficulties on those directly affected or their households, as will be seen in the next chapter.

Each of the 83 households interviewed in this study were asked about changes in their family life which took place since the occurrence of employment problems to any of their members. Just one - third of them reported changes and significantly, for 19 of these 32 households, it was the heads who faced an occupational difficulty. Thus, household status seems to be an element which is related to changes that might occur in family life. The survey results show that for the majority of the 33 heads with employment problems included in this study, their occupational situation had an impact on their family life.

### 1.2.A. Negative impact on family life.

Most households whose heads faced employment problems, identified negative changes in their family life (12 out of 19). For example, the wife of an underemployed head of a medium size and low income household from Liberia who had previously experienced a spell of unemployment responded...

" Since my husband lost his last stable job we have been very tense; we argue all the time and I am particularly annoyed because he and his brother who lives with us are too lazy, they are what you might call professional vagabonds. They do odd jobs but that does not bring in enough money to live on, so I have to work to support the family. Still, they do not bother to lift a finger and help with the running of the house. Things are going to get worse unless they change their attitude. I am running out of patience; I am fed up, I would like to share some of my responsibilities with them." (Emphasis added)

Despite the fact that the wife was working to support the family, the men of the household did not help her with household's activities. She had too many responsibilities and sounded overwhelmed by them. This, in addition to the lack of cooperation from the men of the house, had resulted in a deterioration in family life. This is reflected by the fact that they constantly bickered.

A similar example is that of a large and poor household from the Central Valley whose head was underemployed; his wife said...

" Our family life is in a mess. I don't get along with my husband anymore. He is too lazy and for three years has not done anything to get a permanent job. He is a bloody irresponsible person. Without the help of my daughter who lives in the United States and regularly sends us money, we wouldn't survive. I wish my husband had a different attitude; instead of spending time with the family

and helping me with the running of the house, he is out most of the time wasting his time rather than looking for a permanent job. It is true that he does small jobs but I am sure that if he wants, he could get a proper job."

According to the respondent, the marital relationship has deteriorated; she considers him to be irresponsible and lazy and in addition thinks that he is underemployed because he wants to. This is a case where the wife has lost respect for her husband and their family life has deteriorated.

Another case is that of a small and poor household, located in Limon, whose head was a long-term unemployed woman; she replied...

" I don't know why but I don't get along with my kids. I am very irritable and cannot stand to hear them making noise. I have changed because I used to have more self-control. Their father helps us but our economic situation is desperate. I hope the kids will grow up fast so I will be able to look for a job and maybe then we will get along. The problem will then be to find enough money to send the kids to school. I prefer not to think about it. I hope they won't resent me for the way I am with them but I cannot help it. I am always tense and anxious because at the end of each week I do not know how to make ends meet. I know I am too harsh with them but I hope that when they grow up they will understand the sacrifices I have had to make."

The mother mentioned that her relation with the children had deteriorated and that their economic hardship - aggravated by her unemployment - had made things worse, but that she expected their family life to improve once their economic situation got better.

Among the households which identified negative changes in their family life, there were two respondents who linked their employment problems with the breakdown of the family. The female head - who was inactive but wished to work - of a large and poor household from Puntarenas which had also two other members facing



employment difficulties said...

" I threw my husband out of the house because he was a lazy bugger; the only thing he knew well was to get drunk everyday, this is why he lost his job but instead of searching for another job he spent money drinking. He did not have any shame and usually asked my sons for money. So I decided that the family would've been better off without him. He set a terrible example for the kids and we argued all the time. I lost respect for him and my kids were afraid of him. Since my husband left, we manage better. Two of my children help me with the house; my daughter and her husband live with us and while they work I take care of my grandchildren. They help us with the finances of the family."

This case presents two set of changes; at the beginning their situation was bad but from the head's answer there is no evidence to support any claim that the unemployment of her husband was a major cause for this deterioration. On the contrary, the head mentioned that her husband's alcoholism was responsible for the loss of his last job. The second stage took place after she decided that the presence of her husband was such a negative influence on the family that she expelled him from the house. After this incident, family life improved despite the fact that two of its members were unemployed.

The other case is that of an underemployed head of a large and poor household from Puntarenas. She answered...

" My husband was an alcoholic. He was emotionally very unstable; when he lost his last job he spent most of our money on drink. We argued a lot and sometimes he hit me so I decided to leave him. I had never worked before that but I could not stand his presence. After he left I started looking for a job but it was very difficult to find one. We suffered a lot of hardship; our situation was tragic. I had to send two of my children to 'La Ciudad de los Ninos' because I could not afford to feed them. This was a terrible period for me because this orphanage is located in Cartago and I did not have enough money for the bus fares from Puntarenas, so I rarely saw them."

The alcoholism of the husband more than the economic hardship caused by his unemployment seem to be the major cause for the breakdown of this family.

1.2.B. Positive impact on family life.

For 15 of the 32 households which identified changes in their family life during periods when at least one of their members faced any employment problem, these changes were positive. The case of a medium size and poor household from Puntarenas whose head was unemployed illustrates this; his wife said...

" Since my husband is unemployed, he shares some household activities such as cleaning and washing. We are closer than ever before. He used to spend time away from us working in farms but since his last job, he is always with us. The family is more united and we hope to get a loan and start our own business; we have already applied but we have not heard anything from the bank. I am happy to have the family together. We missed him a lot."

The nature of the husband's occupation meant long periods of separation from the family; so his unemployment was seen as a positive element for the union of the household. It is important to take into account that their economic hardship was not too severe at the time of the interview as the head had been unemployed for three months and still had some money left from the severance payment he received from his last job. Furthermore, their optimism was also based on expectations they had of obtaining a loan and starting their own business. It remains to be seen what the impact of a longer period of unemployment would have on them.

Another example is that of a small and poor household from Limon whose head was underemployed; he responded...

" We always argue because we cannot satisfy the needs of the household. The positive thing is that despite our problems, we discuss our situation and through this we get rid of any tension from our economic situation. The family always manages to be united. They appreciate my efforts to find a permanent and better job but this is not easy."

From this answer it seems that the family has worked out a mechanism to deal with any problem which they face. But perhaps a more illustrative case is that of an underemployed individual who came from a medium size and poor household from Limon; he said...

" We are closely related to each other. There is a strong bond between us and all our suffering is shared. We help each other, we buy things for those in need, we also help with the running of the house."

Last but not least, the response of a young man who was unemployed and belonged to a small and poor household from Puntarenas shows that despite the goodwill of relatives, their capacity to help might be limited. This jobless person responded...

" We are a very close family. For example, since I lost my last job two years ago, our economic situation has deteriorated but my brother and a cousin have helped us financially. The problem is that my sister-in-law is expecting another baby, so it will be very difficult for them to keep helping us... Thank God I will start a new job very soon and then our situation will improve; with my salary and my mother's pension we won't suffer any hardship. I guess I was lucky, the timing was perfect. During the past two years my relationship with my mother has been very good; she is a caring person who understands and knows that job opportunities are scarce in Puntarenas. Because of the new job I

will have to move to the capital but if everything works fine, I will take my mother to live with me."

This is a family which seemed to be united as shown by the fact that during periods of hardship other relatives have helped them. However, as mentioned by the respondent, the capacity of their relatives to help them was affected by expected changes in their family responsibilities; but he was not worried about it because he managed, at the right time, to find a job which should improve their economic situation. This case is an example of the operation of social networks to provide protection against the effects caused by the occurrence of an occupational contingency. Further discussion on this subject will follow in the next chapter.

#### 1.2.C. The dynamics of changes in family life.

So far the analysis has centred on well defined changes in the family life of households which have taken place in periods when at least one of their members faced an employment problem. But as has already been seen in some of the cases reviewed, the effects tend to change over a longer period of time. This is not a longitudinal study so it is not possible to assess the full impact of employment problems on family life.

Nevertheless, by incorporating into the analysis some elements such as previous marital relationship, length of employment problems and their economic effects and family structure (ie, size, age) it is possible to have a better understanding of the dynamics of changes which took place in the family life of households during periods when at least one of their members faced

employment problems.

To illustrate this, a woman who was inactive but wished to work and was the head of a large and poor household, from the Central Valley, with many children mentioned...

" I used to work but since I had an abortion I stopped. My man hit me brutally and as a result of his physical assault I suffered a miscarriage. I am still badly affected. My emotional situation is quite unstable and I am nervous most of the time. This has affected our family life because I am usually irritable. However, I have tried to control my temper because I don't want my kids to resent my explosions. Things are starting to change for the better. I am trying harder to control myself and both my eldest daughter and son are helping me with the running of the house; they also contribute money they earn doing small jobs."

This woman's terrifying experience with her former lover affected her to such a degree that she had to stop working. The negative changes in their family life are linked to her ordeal, rather than to the effects of her unemployment. After a bad period in their family life, things started to improve and by the time of the interview family relationships were better and the institution of the family had been strengthened. Thus, it is possible that the family which at the beginning experienced negative changes, learnt to cope with it and adapted in such a way that the family got closer and the eldest children got more involved with the functioning of the household.

Also, there was the case of a large and poor household from Liberia whose head was underemployed and responded...

" Our family life has gotten worse since I became unemployed. At that time, I felt miserable because my friends left me, my social life was somehow restrained. Nowadays, I spend my time doing odd jobs and our economic situation is not so desperate. But the whole experience has affected the family because at the beginning our economic situation was terrible and we were always tense and

badhumored. Even if I am not too pleased with what I am doing now, my only consolation is to see the family together, helping each other. My sons who live elsewhere send us money and that helps us make ends meet."

As in the previous case, at the beginning the changes in family life were negative but once the head got a job, the family experienced positive changes.

Finally, another case which shows the dynamics of changes which might take place in family life is that of a medium size and low income household, located in the Central Valley, whose head was underemployed; she responded...

" We have had very bad spells but the family has stuck together. When my husband died two years ago, my daughters helped me with the running of the house, they used to cook, iron, and clean. I begged them to get out of the house and find jobs to ease our economic problems. But, they did not make an effort; they are too lazy and do not want to work. I don't know why but despite our economic situation they are not as cooperative as they were before; we argue all the time but still they don't seem to understand our situation. At least they stay at home and I can go out and clean houses and get some money."

Unlike the previous cases, the family life of this household had experienced first positive and then negative changes. The death of the head brought the family closer but after a period of time, two of the four children of working age decided to stop searching for jobs despite the economic hardship faced by this household. The reasons for their change in attitude were not explained, thus it is not possible to draw any conclusion regarding this case.

The last three cases show that repercussions in family life brought about by the occurrence of employment problems might change according to the duration of these contingencies. Moreover, factors such as previous family relationships, family structure and the economic situation also determine the direction and magnitude of changes which might take place in the family life of households facing employment difficulties. Because of lack of information on family and economic circumstances over a longer period of time, the findings presented in this section are mostly useful for the understanding of the role which the institution of the family plays in protecting those affected by any occupational contingency, rather than for the assessment of a causal relationship between family life and employment problems.

### 1.3. Effects on Education.

Employment problems might directly or indirectly have an impact on the education of individuals. The economic hardship associated with the occurrence of occupational contingencies limits the capacity of parents to support the studies of their children. Sometimes the economic situation deteriorates to such an extent that young people have to drop out from school and join the labour force to help with the finances of their families.

Although economic hardship is usually a common denominator among households who have experienced problems regarding the education of their members, the absence of parents from the house due to work commitments might also interfere and affect the studies of their children.

To find out about the relationship between employment problems and education, several questions were asked of members of households where at least one of their members faced any employment problem. Interviewees were requested to describe problems with their studies and to report any academic failure of members of their households which occurred during periods of employment instability. Also, they were asked if individuals facing occupational problems dedicated part of their time to help members of their households with their studies.

The majority of respondents mentioned that the education of members of their households was not affected by employment problems. Only 21 of the 52 households with children, included in this study, identified some negative changes or problems with the education of their members. Moreover, only six respondents who faced employment problems mentioned that their occupational situation affected their studies.

#### 1.3.A. Changes in the education of people with employment problems.

The following examples illustrate some of the six cases of individuals who attributed changes in their education to their employment problems. First, there was the case of a jobless individual from a large and poor household from Puntarenas who said...

" I used to study in the evenings while I was working in a bakery. However, I lost the job and ended up without enough money to continue my studies. I'm looking for a job and once my situa-



tion gets better I will resume my studies."

Second, an unemployed head of a small and low income household from Limon had to leave his studies; he responded...

" I used to work and study at the same time. I was taking courses at the Open University; I really enjoyed my studies and was very hopeful about my future because a diploma from the university would have improved my career prospects and obviously, my job opportunities. After I lost my job I continued studying; but I have not been able to find a job and the severance payment which I received has almost been spent. My wife is pregnant so I decided that it was better to use whatever money is left for her and the baby. Thus, I suspended my studies but as soon as I get a new job, I will study again."

Their economic problems forced him to reallocate money from his studies to the running of the household. The loss of his job and the subsequent economic hardship were obstacles to fulfill his aspiration of improving his job opportunities through further studies.

#### 1.3.B. Changes in education of household's members.

A more common finding was the perception that the occurrence of employment problems had a negative impact on the education of members of a household with employment problems. The majority of respondents (17 households) blamed the economic hardship generated by employment problems as the major constraint for the education of their family members. This is elucidated by the following examples.

The long-term unemployed head of a large and poor household from Limon with many children which virtually survived on the money sent every month by the separated father of the children answered...

" I cannot buy the books that my kids need; also they have to walk to school because I cannot give them money for the bus fares and worst of all, most of the days they go to school without any breakfast. Sometimes I manage to borrow books from my neighbours but they are either old or in bad condition."

An underemployed head of a large and poor household from Limon with many children and whose only other working member was also underemployed said...

" I am deeply concerned because next month school starts again and I do not know how to get the necessary money to buy books and uniforms. I think that this year I will not be able to send my son and grandchildren to school because I do not have enough money for it."

These two cases indicate some of the limitations which the economic hardship caused by the occurrence of any employment problem had for the education of individuals from these troubled households. Their high dependency rate in addition to the employment instability of some of the members are factors which account for the economic limitations of these families, limitations which affect not only their education but also other aspects of their lives.

#### 1.3.C. Reassessment of education priorities.

In some instances, the economic circumstances forced households to reassess their position and set priorities regarding which members should be given the opportunity to start or to continue with their studies as there was not enough money to finance the education of everybody. Some examples illustrate these actions. The underemployed head of a medium size and poor household

from Limon with multiple employment problems responded...

" Because of our economic situation we have decided to help the youngest son with his studies. My other children left school last year after my husband died because we did not have enough money even to eat. So, my other children dropped out from school and started working. The problem is that two of them are unemployed and I do not know what we are going to do next month when classes start. But, I am willing to sacrifice anything to give the youngest the opportunity which my other children did not have."

A similar case is that of a medium size and poor household from the Central Valley with two jobless non-heads; its head said...

" My sons did not have the opportunity to study more because of our economic situation; we are very poor but we are doing everything possible to keep supporting my daughter with her studies. The boys are not too happy about it but they are old enough to work and she is still too young to stay at home doing nothing."

The economic hardship caused by employment problems was also identified by some households as a contributory factor for academic problems faced by some of their members such as having to drop out from school or repeat one year of studies. The case of a medium size and poor household from Puntarenas with multiple employment problems illustrates this as the wife of the head responded...

" My husband wants to work but he is too old to get a new job. After he lost his job our economic situation got worse and our youngest daughter had to leave school and help me to wash other people's clothes. She is depressed about it but she is beginning to understand that we did not have any other choice."

The poor economic situation of this household forced one of its members to leave school and help her family by joining the in-

formal sector. This has important policy implications because despite the existence of schooling facilities in the area and the policy of 'education for all' traditionally promoted by the government, the economic hardship faced by this household linked to the presence of employment problems prevented the girl from continuing with her studies.

Another example is that of a large and poor household from the Central Valley with a high dependency rate (ie, children and inactive members) whose head was underemployed but previously experienced a period of unemployment; he replied...

" Because of our economic problems we cannot afford to provide my children with the materials they need for their studies. We had also to delay my daughters' entrance to school until I managed to get some money doing odd jobs. I guess that because of their age, one of my daughters failed to pass the first grade. She did not get along with her classmates and rebelled against school. I hope that this year we will be able to help her more."

The economic situation of this household - a product of the employment problem faced by its head - forced them to send their children to school at an age in which it was difficult to socially interact with their fellow classmates. But, based on the answer given by its head, it is not possible to draw any conclusion as there could be other reasons for the girl's academic failure which are not necessarily associated with economic hardship.

Some cases are useful reminders that even if the majority of the interviewees identified the economic hardship caused by the occurrence of employment problems as the major obstacle for the education of their members, there are other elements which might

have an impact on education. For example, the underemployed female head of a medium size and poor household from Puntarenas said...

" My daughter failed to pass the second year at school the same year I started working again. I spent most of the time outside the house and since we are a small family, no one was there to help her with the studies or to make sure that she did her homework and prepare for exams. I have told her about the importance of an education and the sacrifices which the family is making to allow her to study. She promised me that from now on she will work harder and will be responsible for her studies without anyone having to remind her of her duties."

From this case it is difficult to assess the causes for the academic failure of the respondent's daughter, but it might be argued that the lack of supervision from other members of the household was an element which contributed to it. If this is true, then the employment situation of the head of this household had an indirect effect on education as she had to spend most of her time working outside the house and consequently could not help her daughter with her studies. However, lack of information on the girl's mental capacity, behaviour and academic interests does not permit drawing any substantial conclusion.

Finally, another example is that of a medium size and poor household from Puntarenas whose head was unemployed; he replied...

" My youngest son had problems with his studies, he had to repeat one year but this was during the time I was employed on a farm and had to spend most of the time far from the family. My wife was also working and practically had to run the house on her own. I used to send her money but she had to do everything in the house. I think my son failed to pass that year in school because he was left alone most of the time. Now, even if I'm unemployed he is doing better; we help him with his studies and don't let him go out until he finishes his homework."

Like the previous case, the lack of supervision and family care rather than the economic hardship caused by employment problems seems to be a major reason for the academic failure of that boy. However, an interesting finding was that the son's academic performance improved once his parents got more involved with his studies. Furthermore, the fact that the latter took place during a period of time when the head was unemployed, suggests that the lack of supervision rather than employment problems was an influential element for the academic performance of the son.

## II. Combined Effects of Employment Problems.

To facilitate an understanding of the effects which individuals associated with employment problems, the discussion has, so far, been presented on a separate basis; for example, health was looked at on its own. However, in reality the impact of these occupational contingencies was not restricted to one type per household. Therefore, in order to illustrate the combined impact of the employment situation on individuals and their households the following four cases are fully described. The cases presented are of households which identified several effects associated with employment problems. Moreover, each of these households come from the different geographical areas of the study.

### Case A:

This is a large household with a low level of dependency as only one of its 8 members is under 12 years of age ( ie, the minimum age for inclusion in the labour force), but two of its older

members were still studying. The household lives in Liberia, in the province of Guanacaste in the northern part of the country. Three members of the household were facing employment problems at the time of the interview. Two of them - including its head - were jobless while the other was underemployed.

Their economic situation started to deteriorate a year before they were interviewed and the breadwinner said that their situation got worse in the last five months as his business went bankrupt. Since then he had been looking for a job but his expectations of finding any were low because he thought he was too old.

One of his daughters was 'long-term unemployed'. She mentioned that because of her young son, she could not spend more time searching for a job but since her father started to face employment problems she had intensified her search; she felt that she had a moral obligation towards the family...

" I feel really bad because before I was a member of my family in my own right. I got married and left them. Unluckily, my marriage did not work out and I came back to live with my family but this time accompanied by my child. For a short period of time things were OK but after my father's business went bust, our economic situation got worse and now I am trying very hard to get a job; I feel I have a moral obligation to work and repay my family's help. I also want to get a job to become more independent."

The employment instability of three of the household's members caused economic hardship as is reflected in the fact that they had to sell their washing machine, one of their two TV's and some pieces of furniture to compensate for the resulting loss of income.

Their employment situation was given as the cause of some members' health problems. The wife of the household said...

" After my husband's business collapsed, he started drinking and became an alcoholic. He blamed himself for the business failure and took refuge in alcohol."

She also mentioned about her own health...

" I used to have a good job which I left when I thought that our economic situation was improving. Lately, I am under a lot of stress and suffered a nervous breakdown. It is sad to see how things fall apart and my husband being defeated by alcohol".

The education of the two members who were studying was probably going to be affected by the economic hardship caused by their employment situation. Classes were due to start a month after the interview took place but the head said...

" We are a bit concerned about the education of my sons because we do not have enough money to buy their books and other necessary items for their studies. Also, they will not be able to have any spare money and I think that their classmates will isolate them."

Moreover, since the head became unemployed, their family life has been affected. They mentioned that they were a close family but the economic hardship which the household was facing put them under a lot of stress...

" We are more aggressive; we argue about silly things, in particular when my husband is drunk because it is impossible to talk sense with him. We were never like this before."



To summarize, the employment instability of the head of the household and the other two members had a negative impact on them and the family at large. Effects on health and education were recorded by the respondents. They also identified variations in their family life. Thus, this is a family which was hit by the occurrence of occupational contingencies; the repercussions might not be solely accredited to the employment problems which members of this household faced but, based on the responses given by those interviewed, it seems that their occupational situation was a powerful contributory factor.

Case B:

This is a small family which lives in Limon, on the Atlantic Coast. Its head was an elderly female pensioner who had to stop working because of ill-health. She lived with her daughter and grand-daughter. Her daughter had been unemployed for three months. The youngest member of this household was studying. Their economic situation was precarious as shown by their housing condition. They lived in a rented house which had two small rooms, one was used as a bedroom and the other as a kitchen and living room. The toilet was attached to the back of the house. The dwelling's cardboard walls were in a terrible state; they were full of holes. The household only had few old pieces of furniture and no electrical appliances with the exception of a small radio.

The pension of the head was the major source of income. They occasionally received some money from relatives but this was not

enough to offset the loss of income caused by the unemployment of the head's daughter. This person was looking for a job but she was pessimistic about her chances of getting one. When asked about their health, the jobless person replied...

" My mother is very ill; she has problems with her bones and receives a pension and medical treatment. My daughter and I also have health problems. I suffer from low pressure and my daughter has had several nasal haemorrhages and a recurrent kidney's infection from birth. We go more often to hospital but every time we have to convince the nurses to accept us because since I left my job four months ago, we have not been insured. The problem is that unless you prove to the nurses that yours is an emergency, you won't get any treatment and then your health deteriorates."

From her answer, it is clear that the health condition of the family was fairly poor. However, it is difficult to assess the extent to which the jobless situation of the respondent accounts for their poor health. For example, the invalidity of the head of household forced her to stop working rather than the other way around. Moreover, she mentioned that the pension she receives was less than the amount she would have earned doing any domestic work. Thus, not only her health problem was responsible for the termination of her last job but also it caused further economic hardship.

The respondent mentioned that they were using the health services more regularly but because they were not insured, their access to medical treatment rested on the discretion of nurses and doctors. Therefore, even if the unemployment of one of the members of this household has probably not directly affected their health, it has caused more economic hardship which, in turn, has limited their access to health services.

Regarding their family life, the jobless individual mentioned that family relationships have always been good...

" We get along quite well but my mother spends most of her time on her own. She used to go out with friends but because of her ill-health, she is at home most of the time. My daughter used to be in charge of the domestic work but I help her whenever I am not doing any odd jobs. I spend a lot of my time outside the house looking for a job or doing occasional work. In general, we get along despite our economic situation; even our uncles help us."

To summarize, it seems that the economic situation of this family has affected their health, though the magnitude of the impact is difficult to assess. Their family life has always been cordial which shows the role that the institution of the family plays assisting people facing economic hardship. The unemployment of one of the members of this household seems to have made life harder for them but its effects are not easily identifiable as their situation has always been bad.

Case C:

This household was located on the Pacific Coast, in the town of Puntarenas. The family had five members of whom only one was under 12 years of age. Their economic situation was precarious and according to them, they needed extra money equivalent to 40 per cent of their family income to be able to satisfy their basic needs. The family sporadically received some financial help from a daughter whose family commitments (ie, married with 4 children) prevented her from sending them more money.

Two of the household's members were underemployed; one was the head of the household. He had previously been unemployed for one year and mentioned that during that period they suffered a lot of hardship. He tried hard to get a job but after a year of aggravation decided to join the informal sector. During this period the family remained united as it is illustrated by its head's remarks...

" The family stuck together and we started selling food in the streets to compensate for the loss of income. Nowadays, apart from this, I rely on seasonal employment. I participate in the seasonal harvest of coffee and sugar and other members of the family join me."

As in the previous household (case B), the family played an important role and in this case its members even shared their working duties as they joined the informal sector as a whole unit.

Both underemployed individuals identified the presence of health problems; they said that during periods of occupational instability they have suffered from gastritis. However, as already seen in the relevant section, the causes of their gastritis were identified in a different manner. The head associated his health condition to his employment situation...

" After I joined the informal sector and also started picking coffee and sugar up, my stomach problems improved."

The other underemployed individual said that his gastritis

originated from his school days as...

" I had to spend everyday from 7 a.m. to 5 p.m. without anything to eat because I did not have money to buy food."

Thus, from the answers given, it is difficult to determine the extent to which their employment situation accounted for their stomach problems.

Finally, the wife of the head mentioned that because of the economic hardship they faced during her husband's jobless period, their youngest daughter had to leave school and join the informal sector; the unemployment of the head of this household was identified as responsible for the academic failure of the youngest daughter.

To summarize, this case provides some interesting information regarding the responses which individuals and their families gave to the occurrence of employment problems. With respect to the impact of occupational contingencies, it seems that their presence had affected the education of a member of this household; but as already seen, the same cannot be said in terms of the health problems registered by the respondents. Family life improved in this period and as will be analyzed in the next chapter, the family provided protection against the hardship caused by employment problems.

#### Case D:

This is a large family with a high dependency rate ( ie, 4

children out of 7 members). This household lived in the capital, San Jose. The head of family was underemployed but when interviewed referred to two brief periods of unemployment which had been experienced in the past. Their economic situation was poor and they received help from neighbours and relatives. Nevertheless, they lived in a small house equipped with few items of furniture and some electrical appliances such as TV, radio, and hi-fi; but without a refrigerator.

The head received a severance payment from his last permanent job but by the time of the interview it had been spent. The breadwinner of this family said that they needed more money to eat and to repair the house. However, when asked about their expenses and their most felt necessities, the head failed to elaborate and quantify them. The reason seemed to be a lack of information or his inability to quantify items rather than a case of reluctance to give information on their financial situation, otherwise, the respondent was very helpful.

With respect to the family's health condition, the wife of the head said that during the jobless period of her husband, the health of their two daughters had deteriorated. They could not afford to pay for a tonsillectomy for one of the girls and the orthopaedic rehabilitation of the other. Thus, the economic hardship caused by the unemployment of the head limited the family's access to health services as they were not insured and could not afford to pay for private services. The origin of these health problems lies elsewhere but the employment instability of the head had an impact as it prevented both girls, cure and rehabilitation.

The head also expressed the view that because of the economic hardship caused by his last jobless experience, they had delayed the entrance of the girls to school. He saw this as a major reason for the academic difficulties which one of her daughters had...

" I guess that because of their age, one of my daughters failed to pass the first year of primary. She did not get along with her classmates and rebelled against school."

Finally, the head's wife mentioned that their family situation has always been good, even during periods of hardship,...

" During my husband's last spell of unemployment we were most of the time tense. We were afraid that we could not get any milk for my children. But, the family was united. My husband spent sometime looking for things to do; he spent more time with us and we saw how hard he tried to get a job. He did not help me with domestic work but he did many repairs and even made some furniture for our house and to sell."

To summarize, this family suffered a lot of hardship during periods when its head was jobless. Existing health problems were aggravated and the education of some of its members was also affected. The causal link between the unemployment of this household's head and his family's health and education situation is not too clear but, based on the answers given by the head, it seems that unemployment - through the hardship it created - had an impact on their situation. As in the previous cases, the respondents mentioned the supportive role of the family.

### SUMMARY.

The impact of employment problems on individuals and their households was analyzed in this chapter. Repercussions on health, family life and education were reviewed. The analysis was based on the effects as perceived by the respondents as the aim of this study was to look at these effects in order to obtain a better understanding of the set of actions which were subsequently adopted.

Notwithstanding the limitations which this analysis poses, the results are useful for the assessment and understanding of the strategies for survival undertaken by households. These 'results' are inevitably speculative because of the methodological limitations, already mentioned, which prevent the analysis of the magnitude and direction of causality between employment problems and social areas such as health, family life, and education.

However, the findings indicate that just 40 per cent of the 83 households interviewed recorded changes in their lives which took place during periods when at least one of their members faced an employment problem. In terms of health, ill-health had an impact on the employment situation of 18 per cent of the respondents. Another problem was that the economic hardship of these households - caused in part by the employment situation of their members - affected their subsequent access to health services as they were not insured and had to rely on the discretion of medical staff to be treated in hospitals.



With respect to changes in the family life of those interviewed, 15 per cent of the households recorded negative variations while for 18 per cent of the households the changes were positive. The latter provides valuable information for the analysis of the functioning of social networks (ie, social support) which will be looked at in the next chapter. Nevertheless, changes in family life are far from having only one direction as was illustrated by those cases which identified variations in the direction of the changes over a period of time. These changes were associated with differences in household and economic circumstances as well as their occupational situation. However, for a better and more comprehensive analysis of the changes which might occur in the family life of households with employment problems, it would be necessary to carry out a longitudinal study.

Regarding education, changes were linked to the economic hardship of the families affected by employment problems as parents could not afford to purchase the necessary materials for the education of their children. Only 5 per cent of the individuals mentioned that they had to abandon their studies due to their employment instability while in one-third of the households, respondents associated the academic failure of other members with the presence of employment problems.

Finally, although the perceived effects of employment problems were discussed separately, as many as 90 per cent of the households who associated changes in living conditions with their employment situation referred to changes in more than one of the social aspects covered in this study.

## CHAPTER VII.

### THE RESPONSES OF INDIVIDUALS AND HOUSEHOLDS TO EMPLOYMENT PROBLEMS.

In this chapter, the responses of individuals and their households to the occurrence of employment problems will be studied. Emphasis is put on the household as the unit of analysis because in a society like Costa Rica's, where there is not an income maintenance programme for those facing employment problems, the household is one of the major sources of protection in period of crisis.

Furthermore, the response of the household also has an impact on individual reactions when facing employment problems. For example, other members of the household might take over some family responsibilities, so those affected can spend more time looking for jobs or participating in the informal sector. Also, members of the household might pass information on vacancies to those searching for jobs or those working might recommend them to their employers.

Questions on effects of, and responses to, employment problems were asked separately; but in practice, effects and responses were linked in answers to the survey. Therefore, some of this chapter is based on re-analysis of questions on effects. For example, the impact of employment problems at the household level should cast

light on the study of the functioning of a social network; additionally, the effects of unemployment on individuals should allow us to describe and analyze their job search behaviour as well as their participation in the informal sector.

The different individual and household responses comprise what might be called 'a strategy for survival'. This is defined as a set of rational plans and actions which an individual and his household undertake to protect from the occurrence of employment problems. The strategy is determined by the availability of social and economic resources, household circumstances, the characteristics of its members and labour market conditions.

Four mechanisms of protection can be identified from the responses:

(1) The first is that of 'social support' and comprises the responses of a household where at least one of its members faces an employment problem; it also refers to aid which a household receives from relatives, friends, or neighbours. Among others, the participation of other household members in the labour market, the redistribution of household responsibilities, and the incorporation of the family unit in the urban informal sector are the responses which are reviewed in this chapter.

(2) The second action which is considered here is the use of alternative forms of work and income by individuals facing employment problems. The two alternatives analyzed here are the participation of individuals in the informal sector and the establishment of home production units. For reasons already explained in chapter IV, the use of criminal actions are not included in this analysis.

(3) The third element which is discussed is the "process of job search". It might be argued that this should be excluded from the analysis of household's responses but in reality, household circumstances determine - to some extent - the behavioural reactions of jobless individuals.

(4) Finally, the last mechanism which is included as part of a strategy for survival is "public assistance"; this comprises social welfare programmes implemented by the government.

These four mechanisms are looked at separately to facilitate their understanding but in the fifth section of the chapter some cases are reviewed at length, in order to assess the full dimension of the actions taken by each household to offset the impact of employment problems. However, bearing in mind the already described methodological limitations of this study and the complexity of the subject, the character of the analysis is exploratory, though the findings should serve as guidelines for those in charge of elaborating and implementing employment and social welfare policies.

The chapter is divided into six sections. The first section comprises the discussion of the functioning of the "social support" mechanism. The participation of individuals in the urban informal sector and home production is analysed in the following section. The third section deals with the process of job search and in the fourth the awareness and coverage of public assistance programmes is discussed. In the fifth some cases are reviewed, and in the sixth and last section, the findings are summarized. All the sections but the third, contain information on individuals who faced any type of employment problem and their households. The third section is exclusively related to the experience of individuals who at the time of the study were unemployed.

#### 1. Social Support.

The functioning of a social support mechanism is important for the protection of individuals affected by employment problems. It contains a variety of actions of which some are executed within the household. Examples of these actions are the reallocation of

household duties to allow jobless members of the household to spend more time searching for a job or other members to participate in the labour force; the production of goods at home for the household's consumption; the sale of household goods; the lowering of the household's level of consumption to offset the loss of income; and the help of other members of the household to those with employment problems. Other actions rely on the intervention of external actors such as relatives, friends, neighbours, or government agencies; they help the household during periods of hardship and their aid consists of money or the provision of food, clothes, or education materials.

The findings presented in this section are based on the answers given by the interviewees on questions regarding the economic and social situation of their households and actions taken by their households to cope with the hardship caused by the employment instability of their members. More than half of those interviewed (62 out of 113 individuals with employment problems, ie, 41 out of 83 households) identified the operation of a social support mechanism. Some of these cases are reviewed to illustrate the actions which these households took in response to the impact caused by the presence of employment problems. The discussion is divided according to the internal or external character of the actions adopted; but at the end of this section some cases are discussed at length to elucidate the importance and dimension of the mechanism of social support.

## 1.1. Internal actions.

These are actions which were undertaken by a household in order to offset the economic hardship resulting from the presence of employment problems to any of its members. The type of actions were determined by factors such as the economic situation of the household, the household structure, status in household of the person affected by the contingency, the dimension and magnitude of the perceived impact caused by the occurrence of an employment problem, the rules governing the household, and the situation of the local labour market.

### 1.1.A. Reallocation of household responsibilities.

After the occurrence of any employment problem, some affected households reallocated their domestic duties. They did so to provide other members of the household with the opportunity to look for jobs or to join the UIS in order to help offsetting the reduced household income. Only in 4 of the 41 households, men facing employment problems got more involved with the running of the household to allow their wives to work.

The case of a medium size and poor household from Puntarenas whose male head was unemployed illustrates the reallocation of duties within the household; he said...

" I have been unemployed for three months. I have been looking for jobs but it is not easy for a man to find a job here in Puntarenas. My wife got a job with Fertica (fertilizer company) and, while she works, I take care of the family. I wish I could get a job as soon as possible so my wife will be able to stay at home and take care of the kids."

This is a household who associated changes in its family life and the education of some of its members with the unemployment of its head. Their economic situation was precarious and due to the nuclear character of this household and their perception of greater job opportunities for women, they decided that the head should assume some of the household duties of his wife while she worked. However, this measure was seen by the husband as temporary as his ultimate goal was to get a job and for his wife to stay at home and take care of their children.

Nevertheless, the reallocation of duties involving changes in sexual roles was far from being a smooth and voluntary process. For example, there was the case of an extended family from Liberia whose male head was underemployed; also, the brother of the head who was a member of this household had been unemployed for five months. Their economic situation started to deteriorate when the head got injured and had, temporarily, to abandon his job as tailor three months before the interview took place. The unemployment of his brother made things worse for them; the head was doing odd jobs while waiting to get better and reassume his previous occupation. His wife was working part-time, but because of their economic situation decided to work on a full-time basis. However, she complained that despite her efforts, the men of the house were not helping her with the running of the house. She said...

" I have to work to support the family...I used to work fewer hours per day but because our economic situation got worse after the temporary invalidity of my husband and the unemployment of his brother - I have to work harder to make ends meet...Still, they do not bother to lift a finger and help with the running of the house...I am running out of patience; I am fed up; I would like to share some of my responsibilities with them."

A more common finding (12 out of 41 households) was for wives of heads of households or female heads to transfer some of the household responsibilities for their children to other household members in order to allow them to join the labour force. The case of an extended family whose head was a woman elucidates this. The family was poor and lived in Puntarenas; two of its members were long-term unemployed and according to them their employment situation had an impact on their family life as well as the education of members of this household. The head responded...

" Our economic situation is desperate but somehow we manage to survive. I take care of my grandchildren so my daughter and her husband are able to work. Both of them work in the Tuna Fish Processing Plant and with their salaries and whatever money I manage to get sewing clothes, we eat. Thank God the rent of the house is minimal, otherwise we wouldn't be able to cope with our economic situation. Two of my sons are unemployed but they do odd jobs and whenever they get money, they also help with the finances of the household."

Another example is that of an extended family whose head had been unemployed for five months and his daughter for over a year. They lived in Liberia and their economic situation was precarious; they linked their employment problems to changes in their family life, health , and education. The jobless daughter - mother of a son - said...

" After the breakdown of my marriage, I came back to live with my parents accompanied by my young son. The family has been very helpful and have made me feel at home again. But now that my father is unemployed, I feel that I need to work and help the family because it will be very difficult for my father to get a job in Liberia, he is too old to stand a chance. Now that my son is one year old, my mother will take care of him so I'm sure I will be able to work and help with the finances of the household."



The impact caused by the unemployment of the head and his daughter, the limited job opportunities available to the head due to his age, and the economic hardship faced by them were factors which influenced the behaviour of this family. The importance of the extended family - as in the previous case- is shown by the fact that this family decided to redistribute each member's responsibilities so that the daughter could leave her child under the care of her mother and intensify the search for a job. The extended character of the family gave them flexibility, thus when necessary, they could willingly or not, swap tasks around and free some of its members of household duties which otherwise would have hampered their possibilities of getting a job.

Unlike the case with extended families, nuclear households or those whose head was a woman found it more difficult to reallocate their household responsibilities, in particular when members of these households were very young. Therefore, only 6 out of 41 households managed to redistribute their domestic duties. One of these households was a very poor family who lived in Limon and whose head was a woman. Six of its eight members were under twelve years of age. The head had been unemployed for two years and, as already seen in the previous chapter, her employment situation affected their family life and education. The jobless head responded...

" Our economic situation is tragic; we even had to move to a slum area because, once I lost my job, we could no longer afford to pay the rent of the old house. The kids' father helps us; he pays the rent of our house and gives me money every two days to buy food for the kids but that's not enough. So I'm always out of the house looking for jobs. I sell lottery, wash clothes and clean private houses but unluckily, I cannot get work every day. I have a daughter who takes care of the rest of the kids, so I can go out and look for jobs."

The age of her daughter (14 yrs) allowed the head to transfer her household duties onto her daughter and spend more time out looking for odd jobs.

1.1.B. Other compensatory activities: changes in consumption levels and sale of goods.

Some households had to rely on different activities to offset the loss of income caused by the occurrence of employment problems. Changes in levels and habits of consumption, domestic production of goods for their own use and the market, sale of belongings and rent of rooms were some of the actions which households undertook.

With respect to changes in consumption, 6 out of the 41 households which identified the operation of a social support mechanism had to make decisions regarding both their levels of consumption and the substitution of goods which were previously bought in the market. As already seen in the previous chapter, two households whose members' employment problems caused economic hardship which in due course affected their members education were forced to reassess their priorities and choose which of their members should continue with their studies. This was done because these households could not afford to pay for the education of their members. Education - probably against their will - had to be treated as a consumer good, therefore the decisions taken by these households might be seen as reductions in the levels of "consumption of education".

Other households had also to alter their levels of consumption. For example, a medium size and poor household, located in Puntarenas, whose head was an underemployed woman had to take a similar line of action. She associated changes in their family life, health, and education with her employment situation. The head said...

" In the past I had to send my kids to an orphanage. Now, the emotional situation is better because my children are back with me but we are still facing economic hardship. My two eldest sons are working peeling shrimps and, though their pay is low, at least they contribute to the running of the household. Neighbours give us clothes and we receive aid from the government, but still, some days we have to miss one meal because there is not enough food."

Another course of action taken was the substitution of goods which were previously bought in stores by goods domestically produced. This was done by 9 of the 41 households; the case of a nuclear household from the Central Valley serves to illustrate this finding. The household was poor and had five members, all over 12 years of age. The wife of the head who was economically inactive but wished to work said...

" Since I broke my leg three months ago, neighbours and the church have been very good to us; they give us food every week. But still our economic situation is far from being good. I make our own clothes and blankets from material which my daughter brings me from the factory in which she works."

The domestic production of goods was not only for the households' own consumption but also to sell in order to compensate for the loss of income caused by employment problems. The case of a household from the Central Valley elucidates the opera-

tion of what might be called the mechanism of "home production". The household was nuclear and poor and two of its four members were children. The head was a man who was underemployed. He responded...

" I kill pigs and transport the meat to several butcheries. I also transport vegetables and fruit to the "agriculture market". Whenever I get a job transporting these goods we manage to get some meat, vegetables, and fruit for our own consumption. My wife makes our own clothes and some time ago she made trousers but she did not get much out of it. A friend is teaching her how to make shirts so maybe next time she will do better."

A household from the capital adopted the same course of action. This was an extended family whose head was underemployed. They were poor and four of the seven members were children. According to them, the employment situation of the head had an impact on their family life as well their health and education. His wife said...

" My husband works very hard but his salary is not enough to make ends meet. My mother-in-law has helped us a lot and also our own neighbours have given us a hand with the uniforms and books of the kids. During the weekends, my husband repairs the furniture of the house and whenever he has the time or our situation gets desperate, he makes tables or nice jewelry boxes which he sells to our neighbours."

Like the previous two cases, there were other households where the members prepared food, made clothes or other goods; part of these goods were for their own consumption but the rest were sold to the public, in particular, their neighbours. Further analysis of "home production" will continue in the section dealing with the participation in the urban informal sector.

The rent of property was another activity undertaken by households to generate extra income in time of hardship caused by employment problems. Only four of the forty-one households took this course of action as for the majority of the households their limited resources hampered their ability to rent their properties (if they wished to do so).

An extended family which lived in Liberia was among the few households which managed to rent part of their property. One of its members was unemployed and another inactive wishing to work. The person referred to as the head spent most of his time working in a farm located far from Liberia, so he only visited the family once a month. This was a household which belonged to the low income group. The wife, who in reality was the acting head of this household, said...

" We almost depend on the money which my married children send us every month. My husband is too old to take full advantage of a farm that we own. None of my children wants to help him so he had to rent most of it. He sends us both, money from the rent and food produced on the farm. It is a pity that none of the kids wants to help him but luckily he found someone who rented most of it. This is a big help."

An extended family from the Central Valley also illustrates this course of action. This was a large family whose economic situation had deteriorated enormously and whose head's employment problem had an impact on their family life and health. This household belonged to the low income group and had a house which, if used only for residential purposes, would have been appropriate for the nine members of this household. However, they rented two

rooms for a butchery which, despite the fact that it generated extra income, caused problems of overcrowding. The wife of the head responded...

" Our economic situation has deteriorated, especially since 1983 when the 'Colegio Don Bosco' stopped giving my husband some repairs to do. He had a truck but had an accident and now is trying to get the insurance company to pay for the repairs; if he wins the case, he will be able to work again transporting goods and I am sure that our economic situation will improve. Because of our economic situation we had to rent two rooms to a butcher. On the one hand, this gives extra cash but on the other, the house is now too small for us. The butcher is a good person and gives us two kgs. of meat per week; this is the only meat that we eat."

The economic situation faced by these two households forced them to rent part of their properties to offset the loss of income resulting from their employment situation. An important finding was that both households were not poor and had resources which allowed them to take this action. However, for the majority of the households in the study who were poor (ie, over two-thirds of the sample), this course of action was not possible as their economic resources were minimal.

The last "internal" action taken by some households was the sale of their own goods such as furniture, electrical appliances, jewelry, and even the remortgage of their house. Only five households undertook these actions. Those who did so were households whose economic situation was made so severe by the occurrence of employment problems that they had to sell their own goods to get extra money to pay debts or even just to buy food. The limited resources of most of the households included in this study might explain why only a small number of households undertook an action which otherwise could have been more widespread.

One of these cases was already discussed at the beginning of this section. The economic situation of this household deteriorated to such an extent that the head of this household had to sell his block factory to pay the debts they had and save their house. The house was used as a guarantee against the loan.

Another example which illustrates this drastic measure is that of a poor household from the Central Valley whose head was a woman. Three of its seven members were children and its head and another household's member were underemployed. The head said...

" Our economic situation is really bad. We depend on the money which my daughter gives us and the few colones which my son manages to earn; he has to wash cars during the weekends to earn enough cash because his salary is lower than the minimum wage. The father of my kids sends me some money but it is not enough. Once, I had to sell a tv and radio to get money to eat."

#### 1.2. External actions.

External aid complements the internal actions which households undertook to offset the effects of employment problems which have been discussed. Aid provided by relatives, friends, and neighbours are some of the forms of assistance which have an external character and are discussed in this section. Public assistance programmes are also included among the external actions which form part of the social support mechanism. However, the latter will be reviewed in the fourth section of this chapter where the role of the government will be reviewed.

### 1.2.A. The supportive role of relatives.

The interviewees were asked about the type of external aid which they received. Over one-fourth of the households which identified a social support mechanism (ie, 11 out of 41 hhlds), had received aid from relatives living in other households in Costa Rica or abroad.

The case of a small household from Limon illustrates the supportive role of relatives. This was a household whose economic situation was poor. The only two adult members of this household faced employment problems; the head was underemployed while his wife had been unemployed for four years. According to them, their employment instability had caused increasing hardship and had an impact on their health. The jobless wife said...

" I have been unemployed for four years. Our family situation is OK but we are suffering economic hardship. My husband's job is quite good but the problem is that he can't work more than twenty hours per week; there is not enough work in Limon. Sometimes he can't work more than ten hours; so this is why I decided to try harder to get a job and help the family. During periods of hardship my mother has been very helpful with us and every month gives me money to buy food for the kids."

A household from the Central Valley whose head was underemployed also shows the support which relatives provide during periods of hardship. This was a poor household with four children among its seven members. Moreover, the employment instability of the head apparently had multiple repercussions on their family life, health, and education. The wife responded...



" My husband works very hard but his salary does not allow us to eat properly. My mother-in-law has been very nice and helped us a lot. She gave us a TV, a hi-fi and paid for half of the price of the kitchen. She even got us some food from the government aid programme...She also gives us money to buy food; I don't know what we would have done without her."

Unlike the previous cases, some people, reluctantly, received external aid. They expressed their shame when forced by their circumstances to ask relatives for their help. The following cases illustrate this finding. Firstly, there was a small household which lived in the Central Valley and whose head was underemployed; in addition, another of its members was unemployed. The household was poor and three of its five members were children. The jobless wife of the head responded...

" Our economic situation is terrible. We don't have enough money even to feed ourselves. My husband feels helpless and always has a bad temper. I have tried to get a job but so far I have not had any luck. What I really hate is having to depend on the charity of my mother-in-law. I have to visit her quite often; she gives me food for the kids but everytime I go to her place, I feel ashamed. I am sure that as soon as I leave her house, she criticizes me. I have lost all my pride. I wish I could get a job so I will not have to beg her for food. She is also going to help us with the kids' uniforms and books."

Another case which illustrates the point that even aid given by relatives can be stigmatising is that of a small household from Puntarenas. The head of this poor household was an old retired woman who lived with her jobless son; he had been unemployed for over a year. The employment instability of the son, as already seen in the previous chapter, reinforced the unity of the family but as mentioned by the respondent, he was ashamed of having to ask his cousin for money. He said...

" Our economic situation - as you can see - is quite bad. I have been out of work for over a year. My mother gets a pension but this is not even enough to buy food...I have a brother who is an engineer; he has been the real breadwinner of the house; without his help we would not have survived this ordeal. The problem is that my sister-in-law is expecting another baby, so it will be very difficult for them to keep helping us. I have a cousin who lives twenty minutes from here; she also gives us money but I feel embarrassed with her. She is the same age as me and I therefore found it difficult to ask her for money."

Finally, an interesting result was that - though there were just four cases found in this study - an important source of income for households facing economic hardship was the money which former members of these households living abroad send to them. For all four cases, their relatives lived in the United States of America which was hardly a surprise as in Los Angeles alone, there were over twenty-thousand Costa Ricans (ie, 0.75% of the Costa Rican population).

The case of a poor household located in the Central Valley illustrates the importance of this type of aid. One of its members had been unemployed for one year and his employment problem was referred to as having affected their health and education. The female head of this household responded...

" We are very poor; we need a better house. One of my sons has been out of work for a year and though he does odd jobs, the money he earns is minimal. Our family income is whatever money I earn during the twenty hours I work per week in private houses, the money we get from a sister and one of my sons. He is a sailor and lives in the United States; he used to send us money whenever he felt like but since his brother has been out of work, he sends us money every month. His contribution is essential. I also have a sister who helps us but I owe her money so I prefer not to ask her for more until I repay her."

Another case is that of a very poor household which lived in Limon. This was a small household whose head was an old female pensioner. One of its members had been unemployed for four months. The unemployment of this person, according to the head, had an impact on their family life and health. The jobless woman replied...

" Since I lost my job, my uncles have been helping us. When they come to visit us every two weeks, each of them gives us 500 colones. My mother receives a pension for invalidity and with the money which my daughter's father sends me, we just manage to survive. He lives in the United States and every month he sends me 20 dollars. Anyhow, I need to get a job as soon as possible. I don't feel good having to depend on other people's charity."

This last case illustrates some of the findings of this study since the social support of this household includes external actions such as aid given by relatives and by the daughter's father who lives in the United States; also mentioned was stigma which as seen before, was also found in other households.

#### 1.2.B. Other sources of external aid.

Apart from referring to aid given by relatives, 20 percent of the households identified other sources of external aid. Clothes, books, and food were some of the items which neighbours and friends gave to them during periods of hardship. Also, economic aid was provided by people such as the fathers of members of families whose heads were single mothers.

The following examples illustrate the cases of households which received some support from relatives and friends. Firstly, there was a household from Puntarenas whose head was an under-

employed woman. As already seen in the previous chapter, her employment instability apparently had an impact on their family life as she was forced by their socio-economic circumstances to send her children to an orphanage; also their health and education were affected by her employment problem. She said...

" After I left my husband I had to iron and clean in private houses. An old woman who was dying of cancer helped me a lot during this period. She used to give me around 1,000 colones per month for two days of work per week. She also gave me oranges from her garden, which I used to sell, from which I used to get 800 colones. Now the emotional situation is better because my children are back with me but we still have money problems...Neighbours give us clothes and sometimes food."

Secondly, there was a household from the Central Valley which, as already seen, rented part of its house to a butcher who in addition to the payment of the rent gave this household free meat. To recapitulate, the wife of the head said...

" The owner of the butchery is a good man and lately has been given us 2 kgs. of meat per week; this is the only meat we eat."

Last but not least, the case of another household from the Central Valley. This household was poor and one of its members was unemployed. Changes in their family life, education, and health were referred as being caused by the occurrence of the cited employment problem. Its head said...

" We are very poor but we help other people whenever we can. For example, when we have any beans left, we give them to our neighbour who is an old and lonely woman. I have many friends who at the moment are doing better than us, so whenever we are in a difficult situation, they help us; they give us clothes and money."

Theirs is an example of the solidarity which exists between some neighbours in a society like Costa Rica. Finally, among the eight households which identified other external sources of aid, there were four whose heads were single mothers and who received money from the fathers of the children of these households. However, the aid given was not alimony and the heads complained that these 'contributions' were not sufficient.

An example is that of an extended family from Limon. Its head was an old woman; four of its nine members were children and also two of its members faced employment problems (one member was underemployed and the other unemployed). Their economic situation was poor. The jobless member of this household responded...

" The family has helped me a lot. In particular, since I became pregnant and lost my job the family has helped me with everything. Also, the father of one of my two kids sends me money but this is peanuts in comparison to our needs. Two of my youngest brothers have to sell food in the streets; otherwise we couldn't survive."

### 1.3. The operation of social support mechanisms.

Having discussed separately in parts 1 and 2 the set of internal and external benefits which forty-one of the eighty-three households of this study received as part of the operation of a social support mechanism, the following two cases illustrate the true dimension of this mechanism. However, these two cases serve only as examples of the operation of social support devices because, as already seen, the set of actions available to each household are determined by several factors, some of which are unique to each household.

CASE A.

This is a poor and large household from the Central Valley. The head of this household was underemployed and four of its ten members were children. When asked about the actions which they undertook to cope with the hardship caused by employment problems, the wife of the head replied...

" For the last three years my husband has not had a permanent job. He spends his time buying and selling things. My son has a sticker workshop and my husband works with him; he sells whatever he produces and pays my son for the costs of the materials used. But my husband has too many women and, instead of helping the family, he spends the money on his whores. Only in very few occasions he gives me money to buy food. My son - the owner of the sticker workshop - also gives us money but he is going to get married and now needs the money for the wedding. I have a daughter who is married to a gringo and lives in the United States. They are very kind and every month they send us fifty or one hundred dollars. They also send us toys and clothes. The house belongs to my family and my brothers who are all professionals. They help us whenever I ask them for money but I am always too embarrassed to do so. I should not have married my tramp of a husband. Well, I guess there is not much I can do about this. As I told you, we get most of our clothes from the United States but I have to mend them at home because my daughter cannot send us clothes all the time. Some of the youngest kids help us by selling stickers in the streets. They don't get much money but at least they are aware of the problems we are facing. The problem is that now they understand the type of father they have and they don't respect him anymore. I cannot do anything about it; it is entirely his fault. I think that unless he changes, I will have to get divorced. I am beginning to get fed up with him."

CASE B.

This is a large household whose head was a woman. Three of its seven members were children; they were poor and lived in the Central Valley. One of its members was unemployed. The head of this household said...

" My kids are very good and helpful. When I worked, my eldest daughter took care of them; now that I am not working I take care of them. If I decide to work again, my daughter - even now that she is getting married - will take care of the kids. We are very

poor but we help other people whenever we can. For example, when we have beans left, we give them to our neighbour who is an old and lonely woman. I have many friends who are doing better than us, so whenever we are in a difficult situation, they help us; they give us clothes and money. I have also a brother who is poor but whenever he can spare some cash, he sends it to us. My other brothers are in a similar situation to us, so I cannot ask them for help. Finally, my son, who is fifteen years old, sometimes joins my daughter's fiance and earns some money working in a shoe menders."

## 2. Alternative Sources of Work and Income.

Individuals affected by employment problems carried out different economic activities to compensate for the loss of income. In the absence of an income maintenance programme, they were forced by their circumstances to embark on such economic activities as were available to them. Factors such as personal and household characteristics, the economic situation of the household and labour market conditions affected individual's choice regarding the type of economic activities which they were able to undertake.

For unemployed people, as will be seen in the next section, these economic activities went hand in hand with the search for new jobs; though the intensity of the search might be affected by the relative success of informal economic activities. Moving now from this aspect of the discussion, the remainder of this section deals with the analysis of alternative economic activities undertaken by people facing employment problems.

TABLE 1.

Economic activities by type of employment problems.

activities	underempl.	unemployed	inactive	Total
no extra act.	34	2	11	47
informal sector	9	22	4	35
home production	6	7	6	19
other act.	3	8	1	12
Total	52	39	22	113

Chi-square= 40.3 Significant at 99% confidence level.

Individuals were asked about the economic activities which they undertook to compensate for the loss of income caused by their employment situation. Table 1 indicates that there was a statistically significant relationship between the type of alternative economic activities used by individuals with employment problems and their employment circumstances. Results show that 54 individuals replied that they either participated in the urban informal sector or produced goods in their homes which were sold to the public. Only 47 people did not engage in any extra activity to compensate for their loss of income. However, the fact that 34 of them were underemployed may indicate a higher level of participation in the informal sector as the nature of some of their jobs coincided with the type of activities comprised in the UIS.

Furthermore, table 1 also highlights the importance of the urban informal sector as a mechanism for survival, in particular for unemployed people as shown by the fact that more than half of them (22 out of 39) joined the UIS to compensate for the loss of income.



In this section two set of activities are discussed. Firstly, participation in the informal sector and secondly, the functioning of home production in households with employment problems. The latter includes activities which are commonly found in the UIS since the goods produced at home are sold in the streets and that type of petty commercial transaction is one of the major economic activities of the informal economy. However, both sets of activities are discussed separately, not only to assess the importance of informal activities for survival reasons but also to complement the analysis of the role of the household; a role which is not only circumscribed to provide protection but also to generate income through the operation of home production units.

#### 2.1. Participation in the urban informal sector (UIS).

The informal economy has become an important mechanism for survival in developing countries where employment problems affect important sectors of the urban labour force. Costa Rica, as already seen in chapter III, is no exception.

To recapitulate, some of the characteristics of the urban informal sector are: (i) ease of entry; (ii) small-scale units engaged in production and distribution of goods and services; (iii) high-labour intensive techniques with low overhead costs; (iv) goods sold directly to consumers; (v) duration and remuneration of work done directly negotiated between producer and consumer (market forces determine remuneration, there is no direct government intervention in terms of fixing and controlling prices); (vi) evasion of taxes; (vii) no obligatory social security contributions and, hence, no coverage (no control of work safety or

hygiene); (viii) more control of working hours; and (ix) no need to accumulate capital to produce goods.

The type of economic activities which form the informal sector varies according to regional labour market conditions; for example, fishing and unloading of freight in docks are activities exclusively found in the intermediate coastal towns of Puntarenas and Limon. Nevertheless, having seen how difficult it is to define the UIS, rather than attempting to do so, the following discussion concentrates on economic activities which people undertook while facing employment problems; in each of these activities, at least one of the nine characteristics mentioned above was present. But before this is done, it is important to find out who participated in the informal sector.

TABLE 2.

Characteristics of people who did (not) participate UIS.

informal sector	Sex		Ecn. sit.*		Status in hhld.		Age	
	male	female	poor	non	head	non	young	non
participants	26	9	26	9	12	23	16	19
non participants	23	55	46	25	21	57	32	46
Total (N=113)	49	64	72	34	33	80	48	65

Note: \* There are 7 missing cases.

Chi-square for sex= 19.7 Significant at 99% confidence level.

Chi-square for economic situation= 0.9 Not significant at 95% confidence level.

Chi-square for status in household= 0.7 Not significant at 95% confidence level.

Chi-square for age= 0.2 Not significant at 95% confidence level.

Table 2 indicates that 31 percent of the individuals of the sample participated in the informal sector. Moreover, comparing personal characteristics of individuals who participated in the

UIS with that of those who did not, results in table 2 show that as many as 53 percent of men were involved in the informal sector in contrast to just 14 percent of the women of the sample. Therefore, there was a significant relationship between sex and participation in the UIS.

TABLE 3.

Characteristics of participants in UIS.

employment probl.	<u>Sex</u>		<u>Ecn sit.</u>		<u>Status in hhld.</u>		<u>Age</u>	
	male	female	poor	non	head	non	young	non
unemployed	16	6	17	5	4	18	12	10
other probl.	10	3	9	4	8	5	4	9
Total (N=35)	26	9	26	9	12	23	16	19

Note: Non-poor refers to individuals who came from households which were low middle-class or better-off.

Non-young refers to individuals over 25 years of age.

Chi-square for sex= 0.45 Not significant at 95% confidence level.

Chi-square for economic situation= 0.3 Not significant at 95% confidence level.

Chi-square for status in household= 6.7 Significant at 99% confidence level.

Chi-square for age= 1,8 Not significant at 95% confidence level.

Looking at the personal characteristics of individuals with employment problems who chose to participate in the informal sector, it was found in table 3 that as many as 75 percent of all the participants were men and a similar proportion were poor. Also, 23 out of the 35 individuals participating in the UIS were non-heads while in terms of age, 16 were young. Although there was no statistically significant association between differences in sex and the economic situation of their households with the type of employment problem which they faced, results confirms the importance which the informal sector has as a mechanism for survival in a society like Costa Rica.

Furthermore, results in table 4 support this finding as there was a statistically significant relationship between sex and the economic situation of unemployed individuals who participated in the urban informal sector. As seen before, 22 out of 35 people participating in the informal sector were unemployed; moreover, the majority of them were men which shows the presence of a cultural element in the Costa Rican society where men - irrespective of their household status - are assumed to be the earners of their households. Another interesting finding was that the six jobless women who participated in the UIS were poor; therefore, it seems that for them, their economic situation forced them to resort to the informal sector as means of survival.

Table 4.

Sex differentials and economic situation of unemployed people participating in the UIS.

Sex	Economic situation	
	poor	non-poor
male	11	5
female	6	0
Total (n=22)	17	5

Chi-square= 2.6 Significant at 90% confidence level.

Having looked at some of the personal characteristics of those who participated in the UIS, it is important to review some of the experiences of these 35 people. This will facilitate the understanding of the supportive role of the informal sector for individuals with employment problems. The discussion is divided

into two parts according to the level of satisfaction which the participants drew from their experiences.

2.1.A. People who were satisfied with the urban informal sector.

Among the people who were participating in the informal sector at the time of the interview, there were six people who expressed satisfaction doing so. For example, an old man who was the head of a large and low income household from the Central Valley and who was inactive but wished to work said...

" I prefer to be self-employed. When my truck was in good working condition I used to transport blocks, vegetables, fruits, and other goods. After the accident, I had to quit doing that because I did not have enough money to repair the truck. I am sure the insurance company will help me to repair the truck and then I will be able to work again in transport. Meanwhile, I do small jobs for people who know me and ask me to do some repair jobs in their houses. What I like most about being self-employed is that I am the boss, owner of my time and life."

The respondent's last remark is eloquent and illustrates the advantages that he attached to self-employment. His participation in other informal activities is due to his personal circumstances; however, it might be said that rather than looking for salaried work, he preferred to remain self-employed.

Another case is that of the male head of a large and poor household from Liberia. He had been underemployed (and self-employed) for a long period of time. This head replied...

" I prefer to work on my own rather than being the subject of an employer's abuses. I have an electric saw, so I take any type of carpentry work. There is not much work available in Liberia but we survive."

Unlike the two cases reviewed where the individuals were used to work on their own, there were cases of people who were previously salaried workers but who also expressed satisfaction with their participation in the UIS. Among the latter, there was a young woman who came from a small and better-off household from the Central Valley. She was a lawyer who had been unemployed for nine months; she said...

" I am still looking for a job but I want to work in the private sector; I did not enjoy working for the government. Now I am working on a free lance basis. I offer commercial legal advice mainly by phone. Even if I prefer to work on a permanent basis, I enjoy doing what I am doing. I can choose my clients and the time when I want to work."

It may be argued that the type of job she was doing does not form part of the UIS - though it complied with some of the characteristics of the informal sector. Nevertheless, the fact is that while searching for a job, she had to rely on an alternative form of work to offset the loss of income caused by her unemployment and drew some satisfaction from it.

Last but not least, there was the case of a young man who had been unemployed for over a year. He came from a large household from the Central Valley whose economic situation had deteriorated but still was far from being precarious. This unemployed person responded...

" At the beginning I tried very hard to get a job but with no luck. As soon as I was short of money, I borrowed some from friends and went to the border of Panama. I bought clothes and electrical appliances which I sold in San Jose. I made a quick profit and paid my debts. I still do this and sometimes I earn

more than I would if I worked in a company; however I prefer to get a well-paid job in the private sector which would give me more security."

This unemployed individual performed a petty commercial transaction which might be defined as one of the economic activities included in the informal sector. Nevertheless, unlike the majority of individuals who participated in the UIS, he had access to informal sources of credit. The success of his commercial venture in comparison to the terms of his previous jobs, made him realize that economically speaking, he was better-off remaining in the informal sector. Furthermore, as will be seen in more detail in the following section, the intensity of his job search diminished once he started his informal import-export activity<sup>1</sup>. But, regardless of his commercial success, he still expressed a wish to get a well-paid permanent job in the private sector.

The last case also illustrates the fact that, irrespective of how effective was the supportive role of the urban informal sector, some individuals missed the security which a full-time job would have given to them. The following discussion reviews some of these cases.

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This individual was still classified as unemployed because though the intensity of his job search was affected by his success as private entrepreneur, he kept searching for a job. His priority was to get a well-paid job.

### 2.1.B. People who were not satisfied with the UIS.

Unlike those individuals who drew some satisfaction from informal economic activities, there were 29 people for whom their involvement in the UIS was merely a way of earning some money. They expressed their preference for a permanent job as this would have given them more security than the urban informal sector.

The case of the head of a medium size and poor household from Puntarenas elucidates this finding. He had been out of work for a period of three months and expressed his preoccupation of not being able to provide his household with sufficient money to satisfy their vital needs; he said...

" I have tried to get a job but it is not easy in Puntarenas and the few jobs which are available are poorly paid and are just for a short period of time. Apart from looking for a job, I go fishing in a small 'panga boat'. I also pick coffee and sugar cane but now the season is over. I am getting desperate; I don't know what to do. I have tried to find work in Fertica and the dock of Caldera; sometimes I get a job loading goods but it is only for few hours and the pay is bad; they exploit you. The uncertainty of not knowing if I will find something to do tomorrow is killing me. I will be happier with any permanent job; at least you know where you stand."

This was an individual whose household commitments added to the anxiety caused by his jobless situation. He tried to find a job with the two major public institutions of Puntarenas but apart from occasional work, they could not offer him anything permanent. Confronted with hardship and the prospect of a longer period of unemployment, he had to go fishing to complement his earnings. The



uncertainty of his situation is illustrated by his willingness to get any job, as long as it is permanent... 'at least you know where you stand'.

Another example is that of an elderly head of a large and poor household from Liberia. The head experienced job stability all along his job history but for the first time in his life was out of work. He had been unemployed for five months and said...

" Since I am out of work I do occasional jobs; for example, I am now painting a house. As soon as I finish it, I will ask my friends for other odd jobs. I don't spend much time searching for a permanent job because I won't get any. I am too old for that; no one will take me. There is not much I can do about it; I would have preferred to have more security but for that I need a permanent job; you cannot get any security doing the type of petty jobs I am doing now."

This is the case of a person who was the head of his household. His household's responsibilities added to the anxiety caused by his unemployment. He devoted most of his time to informal activities rather than searching for jobs as he thought that his age limited his job opportunities. He was not worried about the availability of odd jobs but expressed his desire for a permanent job. His household's commitments, his job history, and the uncertainty which accompanies the informal sector were factors which accounted for his preference for job security.

Moreover, the situation of a young man also shows how the security of a permanent job was highly valued vis a vis the alternative of doing odd jobs. He came from a large and poor household

from Puntarenas whose head was a woman. He had been unemployed for six months and this was his first experience out of work. He responded...

" Since I am without a full-time job I spend most of my time mending furniture and electric appliances in any house. I also fix bikes and gardens in the 'summer houses' of wealthy people from San Jose. I haven't spent much time looking for a job because I won the lottery. Since I have only 1000 colones left, I will start looking for a job; the problem is that here in Puntarenas you don't always find small jobs to do, so it is better to have something more secure like a job with Fertica."

For this individual, the impact of unemployment had been minor at the time of the interview. His winning prize of the lottery and his involvement in the UIS helped him to offset the loss of income which otherwise would have resulted from his unemployment. However, his priority was to find a permanent job because as he stated, it was not always possible to find odd jobs to do; therefore, the informal sector - though helpful for his survival - failed to provide him with the security he wanted.

There was the case of an unemployed woman from Limon who also expressed her preference for a permanent job. Her household was small, poor and to a large extent depended on the help of other relatives. She had been unemployed for four months and said...

" I have tried very hard to get a job but I have not been successful, so I have to do occasional jobs such as cleaning, washing, and cooking in private houses. The problem is that I can only find a few hours of work per week. There are too many people facing this situation, so it is very difficult to get more work. Even if I could find more work I would still prefer to get a permanent job in a house. I hate the uncertainty of not knowing if I will get enough money to make ends meet."

Furthermore, among the twelve individuals who expressed dissatisfaction with the UIS, there were four persons who were underemployed but had to rely on the informal sector to complement their earnings. These cases also show the importance which the urban informal sector had as a mechanism for survival even for those people who were working. For example, the male head of a medium size and poor household from Puntarenas said...

" I work as a guard but even if the pay is not bad, I don't work enough hours. In reality, it is like being only a part-time worker. So, I have to spend the rest of my time doing repairs or fishing. Most of the fish I catch is for our own consumption because there are too many people doing the same and the competition to sell the fish is tough. In reality, I will be happier working more hours as a guard; this will give me more security and I won't have to go to the streets looking for extra work."

Last, a woman who was the head of a medium size and poor household from Puntarenas said...

" I work 32 hours per week cleaning and taking care of a flat which belongs to the National Bank. I like the job because most of the time the flat is empty; but I would have preferred to work more and get a better salary. I guess not always we get what we want; I should not complain, others don't have anything to do. Anyhow, I wish I did not have to do extra work to earn more; I don't like having to ask people for clothes to wash or houses to clean."

This was a household which received aid from neighbours and food from the government; however, the social support mechanism was not enough and the underemployed head had to join the UIS to earn more money. She was happy with her job but resented the fact that the working hours were few and hence the pay was not sufficient, so she had to do extra work on the side.

## 2.2. Home production.

Home production operates within the realm of the household. It is available not only to households with employment problems but also to any household which has the skills, tools, and capital to set up a productive household unit. By definition, any good made at home and then sold to the public is a product of the so called 'home production'. Part of the goods might be for the consumption by the producers themselves but the ultimate aim of these ventures is to generate income for the household. Therefore, the preparation of food per se is not an activity proper of home production, unless part of it is sold to the public.

As already seen, nineteen households with employment problems resorted to home production to earn some money and offset the impact caused by these problems. Households produced a wide variety of goods which ranged from the cultivation of fruit trees to the making of furniture. The type of products made and sold were determined by the skills of the members of each household, their access to capital and their assessment of market opportunities. Also, the needs of each household had an impact on the decision of the goods produced; the latter is shown by the fact that in some of these households, the production of goods had a twofold intention; ie, self-consumption and generation of income.

The following examples show the type of home production activities which were carried out by households with employment problems. First, the case of an extended family from Limon. The head of the household was underemployed. The economic situation of

this family was poor despite the operation of social support and the extra informal jobs which the head did; therefore, its members decided to establish a domestic productive unit. The head said...

" My wife makes bread, ginger biscuits, and 'pan bon' (ie, honey bread) which I sell on the streets; that has helped us a lot."

Another household which took a similar course of action was a small and poor one from Puntarenas; its head was an old pensioner woman. Her son who had been unemployed for 18 months responded...

" Our economic situation is as bad as you can see. Apart from looking for a job I sell ice-creams made by my mother. I also take advantage of the fridge of the house and sell cold soft drinks and with the money we get from it, we pay the electricity and water bills."

This household owned a refrigerator which allowed them to prepare watery ice-creams. Being Puntarenas a coastal town and having this household the necessary equipment, they produced ice-creams which were easily sold in the streets of their neighbourhood. The production and sale of ice-creams and soft drinks helped them offset the loss of income caused by the unemployment of a member of this household.

Also, a medium size and poor household from Puntarenas resorted to home production to complement the different economic activities which its members carried out to offset the hardship they faced. Two of this household's members were underemployed (including the head). The head, whose economic activities were typical of those of the UIS, said...

" Our economic situation is desperate. I am trying very hard to get a permanent job because the things I do are seasonal and there are too many people out there facing the same situation, so the money I get is not enough. Apart from the help which we get from two daughters living outside the house, my wife sews clothes for other people; she also makes tortillas, some of which we eat and the rest we sell. This is how we survive."

Finally, there was the case of an extended family which lived in the capital. Its economic situation was poor and its head was underemployed. The family received aid from neighbours and the head's mother. The wife of the husband responded...

" My husband works very hard but his salary is not enough to make ends meet...During the weekends, my husband repairs the furniture of the house and whenever he has time or our economic situation gets desperate, he makes tables or nice jewelry's boxes which he sells to our neighbours. We send our children to spread the word about the boxes and then people ask my husband to see the boxes. Our kids take the whole thing as a game but they are very helpful, as then it is easier for my husband to get buyers."

In this case, the whole family intervened in the production and selling of boxes and tables; even the children helped in the process of selling the goods. The skills of the head who was an experienced carpenter, the availability of tools, and his access to materials - product of previous working relationships with suppliers - allowed him to produce furniture at home. Other members of the household joined him in this venture and helped with the sale of the goods.

### 3. The Process of Job Search.

The process of job search differs between individuals. Personal and household characteristics, the economic situation of their households, and labour market conditions are factors which affect the job search behaviour of people. Therefore, the following analysis looks at some of the peculiarities involved in the process of finding a new job; for that, a qualitative analysis is used.

The discussion is based on the job search experiences of the thirty-nine individuals who, at the time of the interview, were unemployed and were looking for a job. Notwithstanding the fact that probably some individuals who faced other type of employment problems had also looked for jobs at different stages in their working life, open-ended questions about the type of search activities undertaken and the intensity of the search were asked only to unemployed individuals.

The findings of this section might have important policy implications; for example, unlike the General Household Survey (G.H.S.) which only contains information on the type of search activities which unemployed people carried out during the reference week, this study contains information over a longer period of time as individuals were asked about their search efforts during their entire period of unemployment. Therefore, not only the methodological limitation of the G.H.S. regarding timing was solved but also information on job search behaviour was included. Moreover, in contrast to the General Household Survey, this study

provides information on the intensity of job search over the whole period of unemployment; hence, the answers of the unemployed respondents should assist policy makers in the elaboration of policies aimed to provide individuals with more information on vacancies and on labour market conditions, and to give them advises to facilitate their search.

For the purpose of the analysis, this section is divided into two parts; the first deals with job search activities which jobless individuals undertook; the duration of their unemployment as well as their status in household are looked at to determine if they had an impact on the type of activities undertaken. The second part includes information on the intensity of the process of job search. Personal and household circumstances, previous experiences of unemployment, the participation of unemployed in the urban informal sector and their assessment of labour market conditions are factors which are incorporated into the analysis to determine the extent to which differences in the intensity of job search were related to differences in these factors.

### 3.1 Job search activities.

People were asked about the type of activities which they had undertaken during their period of unemployment. From the responses given by the thirty-nine unemployed individuals, it was possible to identify the following searching activities: (i) to visit establishments; (ii) to ask relatives or friends about vacancies; (iii) to answer newspaper's classified adverts; (iv) to visit the employment offices (known as bolsas) of the Ministry of Labour and Social Security ( M.T.S.S.); and (v) to ask labour or employers



organizations for vacancies.

The answers of the individuals were grouped into three categories: (i) those with multiple activities; (ii) those who only visited establishments; and (iii) those who only asked friends or relatives about job opportunities but failed to follow up their enquires. Table 5 indicates that for more than half of the respondents, their job search activities were multiple; moreover, of the remaining eighteen individuals who did not carry out multiple search activities, fifteen visited establishments, thus, it might be concluded that the visit of establishments was the most common search activity used by all but three of the respondents.

3.1.A. Duration of unemployment.

TABLE 5

Duration of unemployment and type of search activities.

Duration unempl.	Type of search activities		
	Multiple	Establishments	Fam, friends
up to 6 months	7	10	1
over 6 months	14	5	2
Total	21	15	3

Chi-square=4.2 Significant at 90% confidence level.

With respect to the duration of unemployment of the respondents and their search activities, results show that two-thirds of those who had been unemployed for more than six months carried out multiple search activities. Table 5 also indicates that there was a statistically significant relationship (although only at 90 per-

cent confidence level) between the type of search activities which were undertaken by unemployed individuals and the duration of their unemployment. Thus, it seems that the duration of unemployment had an impact on the type of search activities of unemployed people as the longer the duration of their jobless period, the greater was the variety of search activities which they undertook.

To illustrate this finding, there was the case of a young man who came from a medium size and low middle-class household from the Central Valley; he had been unemployed for fourteen months and had previously experienced two brief spells of unemployment; he said...

" Since I lost my last job I have visited six factories in the industrial zone of Heredia but I could not get a job. I keep asking friends and I also look for adverts in the morning and evening's newspapers but after such fruitless efforts, I am not too optimistic. I don't know why I cannot get a job; anyhow I will keep trying everything until I find one."

The last part of his response shows that despite the fact that his expectations to find a job were lower after a year than at the beginning of his unemployment, he was convinced that he had to continue 'trying everything' to find a job; hence, his adoption of several search activities the longer his jobless situation lasted.

In contrast, there was the case of a woman of prime age from Limon who had been unemployed for four months and who came from a small and poor household; she responded...

" Since I have become unemployed, I have been looking for jobs but so far I have not been able to find one. I keep visiting places like the hospital or other government offices and ask them about vacancies. But, they always advise me to come back next week

to see if by then, there are any vacancies available. Maybe I should do something different, otherwise I won't get a job."

Unlike the previous case, this jobless woman had only visited establishments during the four months she had been unemployed. However, the duration of her unemployment and her inability to find a job, made her realize that she had to change her search strategy.

3.1.B. Status in household.

Regarding the status in household of unemployed people, it might be expected that those with more household responsibilities resorted to several search activities. However, results in table 6 indicate that differences in the type of search activities which unemployed people undertook were not related to their status in household.

TABLE 6

Status in household and type of job search activities.

Status in hhld	Type of Job Search Activities		
	Multiple	Establishments	Fam, friends
head	4	2	-
non-head	17	13	3
Total	21	15	3

Chi-square= 0,9 Not significant at 95% confidence level.

Anyhow, an interesting example was that of a male head of a medium size and poor household from Puntarenas; he had been unemployed for three months and this was his first jobless

experience; he said...

" At the beginning I did not look for a job. After two weeks I started looking for a job. I have visited Fertica (state fertilizer company), the dock of Caldera, and the Railway Company but there are no vacancies for drivers. Sometimes I get a job loading trucks in Fertica but just for few hours and the pay is very low; it is just occasional work. I am getting depressed because we are running out of money and I still don't know how the hell I am going to get a job."

It is practically impossible to draw any conclusion about the future search behaviour of this individual but the interesting thing about him is that despite his economic situation and household commitments, and similar to the majority of short-term unemployed people, he did not make any attempt to use other job search methods (at least during his first three months out of work). Therefore, it seems that people - irrespective of their status in household - adopted more and different search activities the longer the duration of their unemployment was.

### 3.2. The intensity of the process of job search.

Having seen that the duration of unemployment had an impact on the variety of search activities undertaken, it is important to analyze the intensity of the job search of unemployed individuals as this will facilitate the comprehension of search behaviour. Factors included in the analysis which might be related to the intensity of job search are personal and household characteristics, previous experiences of unemployment, participation in the urban informal sector, people's assessment of labour market conditions, and labour mobility.

But before the findings are presented here; it is necessary to explain the categories which were used for the analysis. The degree of intensity was classified according to the answers given by the thirty-nine unemployed individuals included in this study. The following are the degrees of intensity which were defined:

- (i) low, which refers to those individuals who though they were looking for jobs, did not make any real effort to find one, and
- (ii) more intense, which includes individuals who had done the most to get a job during the period of their unemployment and also those whose search intensity had changed overtime but who still were trying to get a job.

An example of the individuals whose job search intensity was low was that of a woman of prime age who came from a medium size and poor household from Limon; she had been unemployed for four years and said...

" I am practically doing nothing to get a job now but before I visited hotels, stores, and private houses; all my efforts were in vain so I don't waste my time anymore looking for work, but sometimes I ask friends about jobs."

This woman had been unemployed over a long period of time and though there is no information on her search intensity at the beginning of her unemployment, afterwards, she rarely spent time searching for a job.

To illustrate the case of those individuals who were intensively looking for a job, there was a man of prime age who had been unemployed for a year. He had experienced other spells of

unemployment and came from a medium size and low income household;  
he responded...

" Since I have been unemployed I have filled out more applications than you can imagine. I want to work again as a chauffer with a government institution but so far I have failed to get a job. There are too many people trying to get jobs. Everytime, I have to compete for one job with sixty other applicants, it is ridiculous. I have also been in touch with the employment office of the Ministry of Labour but its 'bolsa'(ie, employment exchange office) is useless. I also visit factories but I prefer to work in the public sector because the pay is better and there is more job security there."

### 3.2.A. Personal and household circumstances.

#### (i) Age and sex differentials.

Regarding the age structure of individuals, two age categories were defined: young and non-young. The 'young' category includes individuals up to twenty-five years of age while older people were grouped in the 'non-young' category. The intensity of job search activities were reviewed for young and non-young individuals. Table 7 indicates that the majority of the jobless respondents were young (ie, 21 out of 39), and that though there was no statistically significant relationship between age and intensity of search, proportionately speaking, young people's search was more intense than that of non-young individuals.

TABLE 7

#### Intensity of search by age and sex.

Intensity	<u>Age Structure</u>		<u>Women</u>	
	Young	Non-young	Young	Non-young
low	5	7	1	5
more intense	16	11	7	4
Total	21	18	8	9

Chi-square for age = 1,09 Not significant at 95% confidence level.

Chi-square for age of women= 3,01 Significant at 90% confidence level.

The case of a young man who had been unemployed for four months elucidates the higher intensity of job search found among young people. He came from a large and poor household from Puntarenas and responded...

" I started looking for a job in the Cold Storage Warehouses and other stores. I also asked friends about vacancies. A person - owner of a small grocery shop who lives near my house - offered me a job but at the end he could not get enough money to keep it open, so it was just an illusion. Now, I keep visiting places and asking friends about vacancies but without any positive result. I also read newspapers but most of the jobs advertised are for women as maids. It is difficult to find a job in Puntarenas but I will keep trying until I find one."

The greater percentage of non-young individuals whose job search intensity was low seems to be explained in terms of gender as five out of the seven cases found were women. Thus, the segregation of sexual roles (which implies more household commitments for women) accounts for the higher number of cases with low job search intensity among non-young people.

For example, there was the case of a non-young woman who had been unemployed for four years; she came from a large and poor household; she said...

" I used to spend more time looking for a job but the situation in Limon is so bad that everytime is harder to find one. Anyhow, whenever I go to town I see if there are any vacancies being advertised in shop windows. I don't bother asking friends about jobs because they are in the same situation."

(ii) Household circumstances.

TABLE 8

Intensity of Search by economic situation  
and status in household.

Intensity	Economic situation		Heads	
	Poor	Non-poor	Poor	Non-poor
low	9	3	2	0
more intense	18	9	3	1
Total	27	12	5	1

Chi-square for ecn. sit= 1.24 Not significant at 95% confidence level.

Chi-square for ecn. sit of heads= 0.5 Not significant at 95% confidence level.

With respect to the economic situation of the households and its relation with the intensity of job search of jobless individuals, there was no statistically significant association between both variables. However, an interesting finding (table 8) was that despite the fact that two-thirds of the individuals who looked intensively for jobs were poor, as many as 75 percent of jobless individuals whose job search intensity was low, were also poor.

Among the latter, there was the case of a young man who came from a large and poor household from Puntarenas. He had been unemployed for a year and had no previous job experience; he said...

" I am too young and I don't think that anyone will give me a job; employers prefer people with more experience and a better education than me. I ask friends and rarely visit establishments but I guess I will have to continue surviving by doing odd jobs



and fishing."

Despite the precarious economic situation of his household, it seems that his low job expectations - based on his age, low level of education, and limited job experience - and his participation in the urban informal sector were factors which affected the intensity of his search (rather than his economic situation).

Regarding status in household, results in table 8 show that differences in the status in household of unemployed individuals were not related to differences in the intensity of their search. Although two-thirds of the heads looked intensively for a new job, from the small size of the sample it is not possible to conclude that there was a relationship between status in household and the intensity of job search. Nevertheless, the following example indicates how the household responsibilities of those few jobless heads of household had an impact on the intensity of their job search.

This was the male head of a small household from Limon whose economic situation started to deteriorate. He had been unemployed for nine months and responded...

" Since I lost my job I have been spending my time helping my father-in-law to repair TV's and radios and visiting workplaces searching for vacancies. I have filled out several applications but so far the results have been negative...I don't know what else I can do because job opportunities are scarce and the money of the severance is almost gone. Maybe I will have to go to the capital and look for a job there."

The severance payment which he received and the help of his in-law allowed them to cope with the hardship resulting from the

head's unemployment; however, the head was planning to take other measures to intensify his search, for example, moving to San Jose with the hope of finding a job there. Their economic situation which was rapidly deteriorating as the money of the severance was almost gone, and increasing household responsibilities such as his wife's pregnancy, were factors which influenced the head's search behaviour.

3.2.B. Duration of unemployment.

TABLE 9

Intensity of search and duration of unemployment.

Intensity	Duration of Unemployment	
	up to six months	over six months
low	5	7
more intense	13	14
Total	18	21

Chi-square for duration= 0,13 Not significant at 95% confidence level.

In part 1 of this section, it was found that the duration of unemployment was related to the variety and amount of searching activities which unemployed individuals undertook. However, table 9 shows that differences in the duration of the unemployment of individuals were not associated with differences in the intensity of job search. This finding presents an element of surprise as it might have been expected that the longer the duration of unemployment, the less was the likelihood of individuals to devote much time and effort to the search of jobs; the reason for this being that their economic resources as well as their job expectations would have been negatively affected.

Nevertheless, table 9 indicates that, on the contrary, as many as two-thirds of the individuals who had been unemployed for over six months, were trying very hard to find a job. Factors such as their poor economic situation and their participation in the urban informal sector probably account for their job search behaviour.

To illustrate this finding, there was the case of a young man from a large and poor household from Puntarenas. He had been unemployed for two years and responded...

" I used to spend most of my time looking for jobs but lately I have not been doing so. Two years ago I started to look for a job with enthusiasm; after two months with no luck I went to the capital but I could not afford to spend more than a week there. As I failed to get a job during that week, I had to come back to Puntarenas. Now, I survive doing odd jobs but you don't always get them, so whenever I can, I visit workplaces to see if there are any vacancies. I also keep asking friends about job opportunities. Perhaps, I will have to rely on informal jobs and fishing. But because of our economic situation I will continue searching for jobs. We are very poor and odd jobs are not enough; only a permanent and full-time job will give me the financial security which we need."

The economic situation of his household was so poor that despite the fact that he had been participating in the urban informal sector while searching for a job, he had to continue his search because the UIS was not a substitute for a permanent job.

### 3.2.C. History of unemployment and participation in the UIS.

For the majority of the people interviewed, this was the first time that they were out of work (26 out of 39 individuals). Moreover, table 10 indicates that for almost two-thirds of unemployed individuals their job search was intense. Also, results

show that for the majority of the people with previous spells of unemployment, their search was intense. Thus, it seems that other factors such as the economic situation of their households rather than their history of unemployment account for differences in search intensity.

TABLE 10

Intensity of search, previous experiences of  
unemployment and participation in the UIS.

Intensity	Previous experiences		UIS	
	None	Some exp.	None	Some exp.
low	9	3	8	0
more intense	17	10	8	6
Total	26	13	16	6

Chi-square for exp.= 0,54 Not significant at 95% confidence level.

Chi-square for exp. of those participating in UIS= 4.8 Significant at 95% confidence level.

An interesting finding was that for those individuals out of work for the first time whose job search was not intense, all but one participated in the UIS. Therefore, despite the fact that there was no statistically significant relationship between the intensity of job search and previous experiences of unemployment, differences on the search behaviour were related to differences in the number of experiences of unemployment for those who participated in the urban informal sector.

To illustrate this finding there was the case of a young man who had been unemployed for one year. This was his first jobless experience but because of his relative success in the urban informal sector, his job search intensity was very low. He came from a

medium size and low income household from the Central Valley and said...

" At the beginning I tried very hard to get a job but with no luck...I borrowed money from friends and went to the border of Panama. I bought clothes and electrical appliances which I sold in San Jose. I made a quick profit and paid my debts. I still do this and sometimes I earn more than I would if I worked in a company so I don't spend much time any longer searching for a job."

Independently of the negative effects which might be associated to the occurrence of his unemployment, this individual profited from his participation in the informal sector; therefore, his search intensity was affected as the incentives to stepped up his search were low.

Another case was that of a young woman who had been unemployed for the first time; she came from a medium size and poor household from Limon and responded...

" After I lost my job as a nanny three months ago, I started looking for a new job. I have visited private houses, especially during the month of December but now I spend most of my time at home washing other people's clothes. I keep asking friends and relatives about vacancies. I need to find a job because there isn't much I can buy with the money I get from washing clothes."

Unlike the previous case, the economic situation of her household seemed to explain her search intensity because the money which she earned from her participation in the informal sector was not sufficient to enable them to satisfy their basic needs.

Last but not least, there was a young man, member of a medium size and poor household from the Central Valley; he had been unemployed for one year and this was his second jobless spell; he responded...

" Since I am unemployed, I have been looking for a permanent job. I wake up at 6 in the morning, get ready and start visiting factories and other workplaces from early morning. I have filled out several applications but they never call me back. Two weeks ago, I answered an advert of a factory in Escazu but I am still waiting to hear from them. The problem is that the factory is too far away from home, so even if I get the job I will keep trying to find something better. I also went to the Ministry of Labour but the procedure is so tedious that I threw the form away. The first time I was unemployed it was much easier to get a job. I reckon the situation is now worse as more people are unemployed, so I have to keep trying until I get a job."

Despite his previous jobless experience, he continued searching intensively for a job throughout the whole duration of his unemployment. His household's economic situation as well as his perception of negative labour market conditions (ie, excess supply of labour) were factors which influenced his search behaviour.

### 3.2.D. Perceptions of negative labour market conditions.

More than a third of the respondents referred to negative labour market conditions, such as few vacancies, excess of applicants, and discriminatory practices, as obstacles they had to deal with in their efforts to find jobs. However, instead of a reduction in the intensity of their search, results in table 11 show that their search was intense; this reflects the urgency for people to find a job in a society where there are no income maintenance programmes. Of the fifteen individuals who identified

these obstacles, all but one kept searching intensively for jobs. Therefore, there was a strong statistically significant relationship between the perception of negative labour market conditions and the intensity of job search.

TABLE 11

Intensity of search and perceptions of labour  
market conditions.

Intensity	Labour Market Conditions.	
	Negative cond.	No obstacles
low	1	11
more intense	14	13
Total	15	24

Chi-square= 6,6 Significant at 99% confidence level.

The following two cases illustrate this finding. Firstly, there was a man of prime age who had been unemployed for three years. His household was large and low income and was located in Liberia. He referred to his job search experience in these terms...

" When I became unemployed three years ago I started to look for a new job. I used to visit many companies but after some months I lost my optimism. I have just applied for a job in construction and now. I am awaiting their reply but, to be honest, my expectations are very low. I also went to the Ministry of Labour and filled out a form. Apart from this I keep asking friends about vacancies but there is not much you can do here. There are no job opportunities in Liberia but I won't give up. I wish I could move elsewhere but I cannot afford it; at least I have a family who helps me; in San Jose I would not survive."

This individual did not participate in the urban informal sec-

tor but the operation of a social support mechanism and the economic situation of his household allowed him to spend time searching for jobs. Despite his assessment of minimal job opportunities in Liberia, he continued looking for a job.

Secondly, there was a young woman from a large and poor household who also lived in Liberia. She had been unemployed for fifteen months and said...

" After I lost my last secretarial job, I went to the sugar refinery 'CATSA' because friends told me that they were recruiting people. I filled out an application form and now I am awaiting a response. I also visited the 'Instituto Nacional de Seguros' (state insurance company) but there were no vacancies. They told me that they prefer to give jobs to men; this is because they cannot train women as they get pregnant and then leave; in this way the company losses money. I have heard the same argument in branches of banks. The government should do something about it as these are discriminatory practices which obviously affect my job opportunities. But I will not give up; everyday I visit places and read the newspapers and I am determined to do so until I find a job. I cannot afford to be out of work because I have a kid to take care of and we are very poor."

The respondent identified sexual discriminatory practices as a major obstacle which limited her job opportunities; however, her job search was intense as she was determined to find work. It seems that her economic situation and household 's commitments were major factors which accounted for the intensity of her search.



#### 4. Public Assistance Programmes.

This section looks at the impact which government programmes had on individuals who faced employment problems and their households. As already seen in chapter III, in reality there are no programmes which are exclusively aimed to assist people with employment problems; therefore, rather than assessing the effectiveness of public assistance programmes, the purpose of this study was to find out the extent to which the existing government programmes formed part of the actions which people with employment problems undertook. Thus, the analysis is based on the answers given by the respondents rather than on the use of official statistics which for this study might have proved inadequate.

The respondents were asked open-ended questions about their knowledge and use of public programmes aimed to help households facing hardship. The few persons who acknowledged the existence of government programmes only managed to identify three programmes which they considered to be relevant to their situation. These programmes were: (i) food aid, given by The Presidency and the Social Welfare Institute (IMAS); (ii) la bolsa which are the employment exchange services provided by the Ministry of Labour; and (iii) vocational training courses run by INA (ie, the autonomous public institute in charge of manpower training).

##### 4.1 The Food Aid Programme.

Regardless of the causes of hardship, food packages were distributed to poor households by the government. Despite the fact

that the food aid programme was one of the most important elements of the Social Compensation Plan, only 9 of the 83 households with employment problems knew about it. Moreover, of them just four were recipients of this aid though, none of them were satisfied with the programme.

To illustrate this finding, there was the case of a small and poor household from Limon with one member who had been unemployed for four months; the jobless person said...

" In the past I went to IMAS and the first time they gave me food. But later, after asking many questions about our situation, they stopped the aid; you can see how poor we are. I will try to talk with the deputy of the zone to see if she can use her political influence; it is the only way the system works."

The remaining five households which knew about the food aid programme but were not recipients, expressed their dissatisfaction with the programme. Their major criticisms against the food aid programme were the complexity of procedures for entitlement, the stigma attached to the programme, and the use of political criteria for the selection of beneficiaries.

For example, there was the case of a woman who came from a large and poor household from Limon; she had been unemployed for four years and complained against the procedures used by IMAS; she responded...

" We have tried to get help from IMAS but they ask you so many questions that they discourage you. They should help the poor; this is what they are paid for."

Another household, not only criticized the complexity of the entitlement procedures but also the stigma attached to the entire process. This was a large and poor household whose head was underemployed. The head replied...

" I have tried to get some aid from IMAS and the food aid programme of the Presidency but the procedures are too complicated. They ask too many questions and you feel that you are asking for charity. It is the responsibility of the government to help those in need; they should help us without humiliating you by asking so many questions about your private life."

Last, the following case elucidates the discontent of some of the respondents for what they considered to be, the political bias of the programme. This was a small and poor household from Puntarenas whose two old members were underemployed. The head said...

" We have asked the government for help but since we supported Calderon in the last elections, the government won't give us food. Our neighbours don't need the aid as much as we do but because they voted for the PLN (ie, the official party), they get the food. It is unfair, hunger and politics should not be mixed."

#### 4.2. The Employment Exchange Services (la bolsa).

The Ministry of Labour has a department known as la bolsa which provides information to the public about vacancies and gives advice to job seekers on ways to find jobs. Nevertheless, the findings of this study show that only seven of the eighty-three households (30 of them with unemployed members) knew about 'la bolsa'; furthermore, all but one expressed their discontent with the manner in which 'la bolsa' operated. In addition, as already

seen in section 3, the four jobless individuals who approached 'la bolsa' for assistance failed to get a job through it.

The following cases indicate the degree of dissatisfaction expressed by the 7 households who knew about the employment exchange services. Firstly, there was the case of a woman who was inactive wishing to work but who had previously spent some time looking for a job. She came from a medium size and poor household from the capital and replied...

" Three years ago I went to la bolsa to register as unemployed. After I filled out the form they arranged for me to have an interview to work as a secretary. However, the employer preferred to give the job to a prettier girl who did not have my qualifications. I went back to la bolsa and complained about it. They told me that they only deal with the reallocation of jobless individuals and that it was up to the employer whether to give the job or not. The officer of la bolsa was honest and told me that I would stand a better chance if I approach employers directly."

Her response indicates the limitations of the services of la bolsa as the department only acts as a device which matches information on the supply and demand of labour (resting the ultimate power to decide who gets the job on the employer). Furthermore, the effectiveness of la bolsa was questioned even by its staff as shown in the last part of her answer..." the officer...told me that I would stand a better chance if I approach employers directly".

Finally, some of the respondents expressed their discontent with the way in which they were treated; they also questioned the

effectiveness of la bolsa. An example was that of a young man who came from a medium size and poor household from the capital. He had been unemployed for a year and replied...

" I went to la bolsa and they gave me a form to fill out at home. A friend told me not to waste my time as the procedure was too complicated and the staff of la bolsa would not look at it anyway. I still have the form but I won't bother."

Another example was that of an unemployed man of prime age who had been unemployed for five months. He was also from the Central Valley and came from a medium size and low income household; he said...

" I went to la bolsa but that was a waste of time; they are helpless. It is very easy for them to talk because they are being paid to do nothing. I am sure that if they were the ones who were unemployed, their attitude would have been different. They treat you like a second class citizen."

#### 4.3. Vocational training.

Vocational training courses run by INA, were identified only by four unemployed respondents to be relevant to people with employment problems. However, as already seen in the previous chapter, only one of them had taken a course at INA and another unemployed person considered the possibility of taking a course. The latter was a young man who had been unemployed for six months; his household was large and poor and was located in Puntarenas. This young person said...

" The only institution which I know helps unemployed people is INA. Sometimes you cannot get a job because of your skills, so INA is good because it allows you to acquire more skills making it easier to get a job. Perhaps, I should take a course there."

Finally, the other two persons who identified this programme said that despite its goodness, its access was restricted by the fact that people with employment problems did not have enough money to pay for these courses.

For example, a young woman who had been unemployed for four years and came from a medium size and poor household from Puntarenas responded...

" INA offers good courses but you have to pay and when you are unemployed, how could they expect you to get money and pay for their courses. It is a vicious circle; the government should give people loans which they can repay once they get a job."

##### 5. Combined Responses to Employment Problems.

Having analyzed, one by one, the different actions undertaken by individuals and their households to offset the impact of their employment problems, the aim in this section is to present some cases to illustrate the full dimension of the responses given. Each set of mechanisms utilized by households was determined by the severity of the impact of employment problems, the economic and social resources of a household, its structure, personal characteristics of its members, and labour market conditions.

However, due to the exploratory character of this study and the peculiarity of the responses of each household, it was not

possible to categorize the strategies for survival which were adopted. Therefore, to be able to assess the extent to which these responses formed different types of strategies for survival, future research on the subject will require an in-depth study of households' decision-making process in period of crisis. Bearing in mind the limitations of this investigation, the following examples elucidate the different mechanisms for survival which households employed.

#### Case A.

This is a household which was located in the port city of Limon, in the Atlantic coast. They were a small family which lived in a small rented house; the house was in bad condition as there were holes in its corrugated iron sheet's walls and though they had basic furniture, they did not have any electrical appliance (except a radio). The household had three female members: the head who was an old pensioner; her daughter who was unemployed; and her grand-daughter who was 15 years old and was still in school.

Their economic situation was poor; according to the head, her pension of 3,000 colones per month was not enough to buy their food, let alone other needs which they had. She mentioned that they required an extra 4,000 colones per month to manage and that since her daughter became unemployed (4 months before the interview took place) they were facing more hardship.

The unemployed member of this household expressed that after she became unemployed, family life had remained stable but that she was a bit anxious about the studies of her daughter because the new academic year was about to commence and she did not know

if they were going to be able to keep helping her with school expenses. Regarding health, she said...

" My mother is very ill; she has problems with her bones and receives a pension and treatment from the hospital. My daughter and I also have health problems. I suffer from low pressure and my daughter has had several nasal haemorrhage and a recurrent kidney's infection from birth. We go more often to hospital but every time, we have to convince the nurses to accept us because since I left my job four months ago, we are not insured...The situation is affecting me a lot because I feel responsible for the hardship which we are facing. I need to get a job as soon as possible, otherwise the health of the family will get worse."

Their health situation had been poor but the fact that they were not insured added to the worries of the unemployed woman. Their health problems were not caused by her unemployment but she felt that her employment situation could be responsible for any future deterioration in their health.

Confronted with growing hardship, this household adopted a set of actions to ameliorate their situation. For instance, the jobless respondent identified the operation of a social support mechanism...

" Since I lost my job, my uncles have been helping us. When they come to visit us every two weeks, each of them gives us 500 colones. My mother receives a pension for invalidity and with the money which my daughter's father sends me, we just manage to survive. He lives in the United States and every month he sends me 20 dollars. Anyhow, I need to get a job as soon as possible. I don't feel good having to depend on other people's charity."

Despite the fact that the aid received from other relatives helped them survive, she felt embarrassed about it and expressed her wish to find a job and regain their independence. With regard



to her job search, she said...

" Since I have become unemployed, I have been looking for jobs but so far I have not been able to find one. I keep visiting places like the hospital or other government offices and ask them about vacancies. But, they always advise me to come back next week to see if by then, there are any vacancies available. Maybe I should do something different, otherwise I won't get a job."

While looking for a job, she also participated in the urban informal sector...

" I have tried very hard to get a job but I have not been successful so I have to do occasional jobs such as cleaning, washing, and cooking in private houses. The problem is that I can only find a few hours of work per week. There are too many people facing this situation, so it is very difficult to get more work. Even if I could find more work I would still prefer to get a permanent job in a house. I hate the uncertainty of not knowing if I will get enough money to make ends meet".

Finally, another course of action which they undertook was to visit IMAS (social welfare institute) and ask for food. The unemployed member said that at the beginning they received food packages but after being asked many questions about their social and economic situation, the aid was stopped. She was surprised by the decision taken by IMAS because the institution was created to help the poor and obviously they belonged to that target group.

To recapitulate, this case indicates the adoption by this household of a strategy for survival to offset the impact caused by the unemployment of one of its members. To a large extent, this household depended on the aid received from other relatives but in addition to it, the unemployed woman participated in the urban informal sector while searching for a job. Moreover, they obtained

food packages from IMAS but this form of assistance was stopped for reasons which were apparently not clear to the respondent.

Case B.

This is a medium size household from the Central Valley; its head was a prime age woman who lived with her brother, two sons and a daughter. They occupied a two bedroom rented house whose roof and walls were in urgent need of repair. Their economic situation has been poor for many years but it got worse after the last spell of unemployment of the eldest son, who at the time of the interview, had been unemployed for a year. In addition, the head was underemployed and her brother was inactive; according to her, he was like a parasite that she had to support.

The underemployment of the head was caused by a severe problem of arthritis which she referred to as her major obstacle to work more hours. During the period of unemployment of her eldest son, family life remained the same but in terms of its impact on education, the head was worried that due to the greater economic hardship which they were facing, her youngest son would lack basic books and that this, in due course, could impede his studies. To remedy this situation, the head went to the central offices of IMAS to request some aid but she told us that the institution rejected her application.

Additionally to the head's attempt to obtain help from the government, this household used other mechanisms for survival. For example, the head identified the operation of a social support

device in these terms...

" We are very poor; we need a better house. One of my sons has been out of work for a year and though he does odd jobs, the money he earns is minimal. Our family income is whatever money I earn during the twenty hours I work per week in private houses, the money we get from a sister and one of my sons. He is a sailor and lives in the United States; he used to send us money whenever he felt like but since his brother has been out of work, he sends us money every month. His contribution is essential. I also have a sister who helps us but I owe her money so I prefer not to ask her for more until I repay her."

Furthermore, the unemployed member of this household was intensively looking for a job...

" Since I am unemployed, I have been looking for a permanent job. I wake up at 6 in the morning, get ready and start visiting factories and other workplaces from early morning. I have filled out several applications but they never call me back. Two weeks ago. I answered an advert of a factory in Escazu but I am still waiting to hear from them. The problem is that the factory is too far away from home, so even if I get the job I will keep trying to find something better. I also went to the Ministry of Labour but the procedure is so tedious that I threw the form away. The first time I was unemployed it was much easier to get a job. I reckon the situation is now worse as more people are unemployed, so I have to keep trying until I get a job."

Whilst searching for a job, this unemployed person mentioned that, during the first three months of his unemployment, he did odd jobs such as painting houses and small carpentry work but that afterwards, he had to concentrate on little businesses. However, he was reluctant either to explain the meaning of little businesses (which probably suggests their illegal character) or to disclose the amount of money which he contributed, if any, to his household's income.

To summarize, members of this household faced several employment problems; their economic situation which had been histori-

cally poor was exacerbated by the unemployment of the head's eldest son. Confronted with that situation, they resorted to social support as the main source of protection. In addition, the unemployed member shared the time devoted to job search activities with that spent participating in what he called "little businesses"; but it is not clear how much he contributed to the finances of the household.

#### Case C.

This is a medium size household from Puntarenas whose head had been unemployed for three months. Unlike cases A and B and although its economic situation was also poor, members of this household related the unemployed of the head with positive effects. With respect to family life, his wife said...

" Since my husband is unemployed, he shares some household activities such as cleaning and washing. We are closer than ever before. He used to spend time away from us working in farms but since his last job, he is always with us. The family is more united and we hope to get a loan and start our own business; we have already applied but we have not heard anything from the bank. I am happy to have the family together. We missed him a lot".

The short duration of his unemployment and the nature of the head's previous job (ie, working in a farm far away from the family) might explain the wife's assessment of a positive impact of unemployment on family life. Furthermore, another interesting finding was that the education of a member of this household improved after the head returned home; according to the head...

" My youngest son had problems with his studies, he had to repeat one year but this was during the time I was employed on a

farm and had to spend most of the time far from the family. My wife was also working and practically had to run the house on her own. I used to send her money but she had to do everything in the house. I think my son failed to pass that year in school because he was left alone most of the time. Now, even if I'm unemployed, he is doing better; we help him with his studies and don't let him go out until he finishes his homework."

Despite the positive effects which this household associated to the unemployment of its head and in view of the hardship which they faced, several mechanisms for survival were adopted. To start with, domestic responsibilities were reallocated to allow the head's wife to work in Fertica although, as already seen, the head was not too happy with the new arrangements. Nevertheless, a relative took care of the children and the house while the head was out searching for a job. With regard to the head's search activities, he said...

" At the beginning I did not look for a job. After two weeks I started looking for a job. I have visited Fertica (state fertilizer company), the dock of Caldera, and the Railway Company but there are no vacancies for drivers. Sometimes I get a job loading trucks in Fertica but just for few hours and the pay is very low; it is just occasional work. I am getting depressed because we are running out of money and I still don't know how the hell I am going to get a job."

Finally, the head resorted to the urban informal sector as an alternative source of income; he responded...

" Apart from looking for a job, I go fishing in a small 'panga boat'. I also pick coffee and sugar cane but now the season is over. I am getting desperate; I don't know what to do. I have tried to find work in Fertica and the dock of Caldera; sometimes I get a job loading goods but it is only for few hours and the pay is bad; they exploit you."

To summarize, in order to offset the economic hardship result-

ing from the unemployment of the head, this household followed several lines of action; for example, domestic responsibilities were rearranged in a way in which the wife had the time to participate in the labour market. Also, with the help of a relative who some days took care of the children and the house, the head managed to spend time searching for jobs and doing odd jobs to complement their household's income.

#### SUMMARY.

The objective of this chapter was to look at the mechanisms which individuals and their households utilized to offset the impact of the employment problems which they faced. The knowledge and understanding of the impact and responses to employment problems - in the absence of income maintenance programmes - is a major step towards the elaboration and implementation of policies aimed to assist people suffering hardship (resulting from their employment situation). Thus, despite the exploratory character of this study, its findings might proved to be useful for policy makers and social scientists.

The analysis of the responses of individuals and their households was done separately but in the previous section some cases were reviewed at length to highlight the true dimension of their responses to employment problems. The following is a summary of the findings of the mechanisms for survival which individuals and households adopted.

With respect to social support, more than half of the people

interviewed identified the operation of some kind of social support mechanism. An interesting finding was that of the forty-one households who referred to the functioning of a social support system, twenty-six of them were from households with an unemployed member. This highlights the importance of the family and the community as a whole for the provision of protection against the hardship caused by employment problems, in particular unemployment.

The support received was peculiar to the circumstances of each household. Their economic situation, household structure, the status in household of those facing employment problems, the impact caused by their employment instability (as perceived by the respondents), and labour market conditions were some of the factors which influenced the type of support received by the households.

The most common internal action was the reallocation of household responsibilities. Women were mostly affected by it as they ended up with more responsibilities to allow other members of the household to join the informal sector or the formal economy. Moreover, there seems to be differences in terms of gender as only in four households did men reluctantly accept (and only on a temporary basis) a greater participation in the running of the house.

Other internal actions which were undertaken dealt with changes in levels of consumption and the substitution of previously bought goods for home produced ones. Some of the goods produced at home were also sold to the public; hence the operation of home production units. Another internal action taken was the

rent of properties but limited assets of the households affected by employment problems meant that only four households could follow this course of action.

External actions also formed part of the social support mechanism. The most common finding was the provision of aid given to households with employment problems by relatives living in Costa Rica or abroad. Some of the recipients of this type of aid expressed their shame; therefore, it might be said that for them the provision of aid from people outside their household - irrespective of kinship - carried an element of stigma.

For policy purposes, it is important to take into consideration the fact that the capacity of the social support mechanism to give protection to households affected by employment problems is linked to the resources which other relatives or friends possess. Therefore, it would be a mistake to assume that the operation of the social support mechanism - desirable as it might be - brings sufficient protection to those in need.

Regarding the use of alternative sources of work and income, almost one-third of the individuals who faced employment problems participated in the urban informal sector. Proportionately speaking, the UIS was a mechanism more widely used by unemployed people as twenty-two of the thirty-five individuals involved in the informal sector were jobless. The type of odd jobs which people carried out were labour-intensive. Moreover, there seems to be a segmented labour market for men and women within the urban informal sector as male occupations consisted mainly of repairs of houses, bikes, electrical appliances, etc.; whilst women's jobs



were centred around household activities in private houses.

Some individuals got job satisfaction from their involvement in the UIS; this was attributed to factors such as their previous experiences of self-employment, good economic returns, and high levels of skills. By contrast, 85 percent of the individuals who, while facing employment problems participated in the UIS, expressed their dissatisfaction with it. Their preference was for a permanent job which would have given them more security. They felt that while they had to face the uncertainties which accompany the type of jobs available in the urban informal sector, they did not have any control of their situation; therefore, though the UIS proved to be quite a useful mechanism due, among other things, to its ease of entry and low levels of capital required, some respondents found that the UIS could by no means replace the security which a permanent job would give to them.

In addition to individual participation in the urban informal sector, 23 percent of the households with employment problems resorted to home production. The goods produced by these households were determined by their skills, availability of capital, and in some cases their needs. The latter was the case with households which produced goods for their own consumption and to sell in the streets. Moreover, as seen with the household which made and sold ice-creams, some households chose the good for production accordingly to their assessment of market opportunities.

The operation of home production implies the allocation and selling of home-made products to the public. Since, as already

seen, these petty commercial transactions form part of the urban informal sector, it might be concluded that the functioning of domestic economies reinforced the importance which the UIS had as a mechanism for survival for individuals facing employment problems.

With regard to job search, the type of search activities and the intensity of this process differed among the thirty-nine unemployed people of this study. Having looked at some factors which might have influenced search behaviour, it was found that the duration of unemployment had an impact on the type of job search activities which people undertook; the longer the duration of their unemployment, the greater was the variety of search actions which they implemented.

In terms of the intensity of the search process, an interesting finding was that the majority of the people who did not spend much time searching for jobs were women; therefore, there seems to be a cultural element which influenced search behaviour since women, in particular non-young ones, have many household duties which prevent them of spending more time looking for jobs.

The impact of the duration of unemployment on search behaviour was found to be statistically non-significant though as many as two-third of those who had been unemployed for more than six months were searching intensively. This finding might be explained in terms of the economic situation of these unemployed people because the longer their unemployment, the greater the economic deterioration and consequently, the greater was their need to find a job.

Furthermore, results indicate that the participation of individuals in the UIS affected their search behaviour. For example, it was found that for all but one of the individuals facing unemployment for the first time and who participated in the urban informal sector, search intensity was low. This supports the findings of section 2 which showed the importance that the UIS had as a mechanism for survival.

Moreover, it was found that the degree of knowledge of labour market conditions and in particular the assessment of negative conditions had an impact on search intensity; for all but one of the individuals who identified labour market obstacles, the search process was intense.

Last, it was found that public assistance programmes did not play an important role as mechanisms for survival for individuals with employment problems and their households. A finding which should be taken into consideration by politicians is that only approximately 10 percent of the households knew about the existence of these programmes; more worrying should be the fact that the figure for the actual beneficiaries of these programmes was even lower. Moreover, the few recipients of aid expressed major criticisms against these programmes. For example, some of the few respondents who received food aid packages mentioned that the procedure was too complicated and stigmatizing, and that politics rather than want was the criteria used for the allocation of the aid.

With respect to the employment exchange services of the Minis-

try of Labour (la bolsa), none of the persons who used its services managed to get a job through it; worst of all was the fact that even its staff regarded the service as ineffective and advised the public to use other ways to find out about vacancies.

Finally, the few individuals who knew about the vocational training courses run by INA criticized the government for charging a fee for courses to people who, due to their employment problems and consequent economic situation, could not afford to pay for these courses.

Thus overall, the majority of individuals and households affected by employment problems resorted to social support and the use of alternative sources of work and income, such as the informal sector and home production, to counteract these effects. Additionally, most unemployed people searched intensively for jobs while participating in the informal sector. Moreover, public assistance was not a mechanism widely used because few respondents knew about them and even fewer were beneficiaries of these programmes.

PART III

POLICY IMPLICATIONS AND FUTURE RESEARCH.

## CHAPTER VIII.

### FUTURE RESEARCH AND POLICY IMPLICATIONS.

As already discussed throughout the thesis, the findings of this investigation have an exploratory rather than a conclusive character. Practical and methodological limitations were the reason for the tentative orientation of the study. These obstacles have been reviewed in the analytical chapters and can be summed up as limited financial and time resources available for this research (ie, practical constraints), the small size of the sample, the subjectivity of answers to open-ended questions, lack of objective parameters, difficulties in coding these answers, limited geographical coverage, and snapshot type of interviews (ie, methodological constraints).

Notwithstanding the fact that few conclusions can be drawn from this investigation, its findings might prove to be useful for the elaboration and implementation of policies aimed to assist individuals and households affected by the occurrence of employment problems. However, for a better understanding of the impact of employment problems and the responses of individuals and their households, further research will be required.

The aim of this last chapter is, first - in view of the experience obtained with this study - to make some recommendations for future research of this kind and, second, to look at the policy implications attached to some of the results of the study.

## 1. Future Research.

Having already underlined the practical and methodological constraints of this study, some suggestions are presented here of issues which might be considered for future investigations. The incorporation of these issues might not entirely change the exploratory character of studies like this but it should - at least - provide social scientists and policy-makers with more analytical tools for the understanding of the impact, and the responses of individuals and their households to, employment problems.

Because of the small size of the sample of this study and its urban location, it would be better, for future research of this kind, to increase the size of samples and to analyze the circumstances of people with employment problems in rural areas; otherwise, policies based on studies like this would be biased towards the urban population and, consequently, may result in an acceleration of rural-urban migration with the well known repercussions that these migratory movements have.

As already discussed in the literature review, the evidence of studies on the impact of unemployment has been rather patchy and inconclusive, particularly regarding long-term effects. Moreover, results from this investigation, which due to its practical limitations was based on "snapshot" interviews, elucidate the difficulties one faces when trying to analyze the impact caused by employment problems on individuals and their households. Therefore, in order to assess the causal relationship between employment problems and other social phenomena (eg, health and

education) over a long period of time, it is desirable to carry out longitudinal cohort studies.

Furthermore, to obtain information about the impact of, and responses to, employment problems, it will be necessary to incorporate the household as a unit of analysis. The reason for this is that a longitudinal household survey would enable researchers, firstly, to investigate the full dimension of the impact of employment problems since these problems affect individuals as well as members of their households and, secondly, to analyze in depth the individual and household responses to employment problems over time.

Moreover, in order to put the findings of investigations on effects and responses to employment problems into perspective, it might be a good idea to use a control group of individuals and households without employment problems. The assumption behind this suggestion is that researchers, by comparing the circumstances of people with or without employment problems, will be able to understand the magnitude of the impact of employment problems and the mechanisms for survival which people adopt to counteract that impact. However, the use of a control group may have problems such as the comparability of sample groups.

An additional element to take into consideration for future research is the need to incorporate relevant objective parameters such as medical or educational records of people interviewed. The use of objective parameters will help to assess the answers to open-ended questions on the repercussions of employment problems.



Turning now to more specific recommendations, the following are suggestions of elements which, if incorporated in future investigations on the impact of employment problems, would assist us to understand the relationship between employment problems and the social aspects included in this study.

First, regarding the relationship between employment problems and health, it is important to complement this study with information on the medical record of individuals of a sample and to carry out medical examinations throughout the duration of their employment problems. Also, a longer period of time should be allowed in the investigation because changes in health might take place well after the contingency terminates.

Another important element to be considered for future research on the relationship between employment problems and health is the need to study the nature of the jobs which an individual did before his employment problem occurred. This would help us to determine the direction of causality between employment problems and health. Moreover, for those who are disabled, it is necessary to collect information on the circumstances under which the disability took place, the limitations on working attached to the disability.

Last but not least, future research about the repercussions of employment problems on the mental health of individuals should look at the impact of the contingency on the psychological well-being of individuals. Thus, a first stage would be to find out how stressful the experience of being without a permanent job is; this is, however, very difficult to determine because there are other

variables, apart from employment problems, which generate stress. Afterwards, a second stage would be to analyze the process of adaptation and changes in behaviour which may take place. Through the implementation of a longitudinal study it would be possible to gather this information and to use it not only to identify the impact of employment problems on the mental health of individuals but also to understand changes which might occur in the responses of individuals over a long period of time (eg, job search methods).

The recommendations presented here might be useful for the identification of the relationship between employment problems and health. However, because of the complexity of that relationship (since other factors rather than employment problems might have an impact on the health of individuals or vice versa) and the fact that there is no clear methodology from previous studies, it may be better to concentrate on policies to improve the health of people with employment problems, rather than trying to identify the direction of causality between health and employment problems.

Second, with respect to family life, respondents of this study referred to changes which took place during periods of employment problems; thus, for a better understanding of the effect which these employment contingencies might have on family life, it is necessary to investigate family life prior to the occurrence of an employment problem and to compare it with family life in periods of employment problems.

Finally, based on the findings of the study on the perceived effects of employment problems on education, there are several ad-

ditional issues which must be investigated before conclusions can be drawn on the relationship between both phenomena. For instance, some respondents said that the academic failure of members of their households resulted from the hardship caused by their employment situation. However, to support these answers it is necessary to look at variables such as the educational records of these members, their academic interests, and their attitude and that of their parents towards education.

Also, some parents mentioned that their economic situation forced them to reassess priorities regarding the education of their children. The findings of the study show the outcome of their decisions but fails to provide information on how the decision on who should continue studying and who should join the labour force was taken. Therefore, a recommendation for future research is to investigate the decision-making process which operates at the household level during periods of crisis. A longitudinal study and the use of a control group would be useful for such a study.

Last but not least, another suggestion to assess the long-term effect of employment problems on education is to investigate the reasons for dropouts and the fate of school-leavers over a long period of time. The latter will help us to determine the extent to which employment problems limit the career prospects of those who have to abandon their studies to work.

Apart from the analysis of the perceived effects of employment problems, this investigation looked at the mechanisms which individuals and their households adopted to offset the hardship

caused by their employment situation. The objective of this study was to understand the way in which households with employment problems survive in the absence of an income maintenance programme. As will be seen in the next section, the findings of this study have interesting policy implications; but, due to its exploratory character, further research would be valuable for policy planning purposes.

For instance, it might be interesting to compare the operation of social networks (ie, social support) before and during periods of hardship. Also, in terms of the use of alternative sources of work and income, it is important to investigate issues such as the characteristics of the informal sector, the commercialization of their products, linkages of the informal sector with the formal economy, the circumstances surrounding the establishment of home productive units, the selection of products, and the degree of participation of members of households in home production.

There are many other relevant issues which are worth looking at. For example, regarding job search, the criteria which employers use to allocate jobs; the costs involved in the search for jobs; the operation of informal networks to provide seekers with information on vacancies; and, in relation to public assistance, the use of mass media to promote public programmes, procedures and criteria for selection of beneficiaries and the attitude of potential beneficiaries towards public assistance programmes.

To summarize, in view of the limitations of this investigation some recommendations are put forward which, if taken into account for future research, will enable us to have a better understanding

of the impact of, and the responses of individuals and their households to, employment problems. This understanding is desirable for the elaboration and implementation of policies aimed to mitigate the hardship caused by employment problems and to expand employment opportunities.

The suggested topics for future research are based on the findings of this investigation; hence, since this study must be seen as a first attempt to explore the circumstances of individuals and households with employment problems, the list presented here is far from being conclusive. Further research on the subject would be necessary to improve our understanding of the impact of employment problems in Costa Rica and the mechanisms for survival adopted in the absence of an income maintenance programme.

## 2. Policy Implications.

This section reviews some of the findings of the study and their implication for policy purposes.

In chapter V the characteristics of the population with employment problems were identified and analyzed; it was found that most people with employment problems were women, young, with low levels of education (ie, no more than primary education), and non-heads of households. Regarding their household circumstances, the majority came from poor households with at least four members and of the nuclear kind. Once the personal and household characteristics of the sample of the study were identified and analyzed,

the effects linked by people to the occurrence of an employment problem as well as the responses which they adopted to counteract their impact were discussed in chapters VI and VII respectively.

Based on the findings of the study on effects and responses to employment problems, two sets of policies could be devised to improve the economic situation of households affected. The first set includes several policies aimed to mitigate the repercussions of employment problems while the second consists of policies aimed to create jobs and assist people finding jobs. In reality, both sets should be integrated into an employment programme whose emphasis in the short-term should be to alleviate the hardship of households with employment problems. In parallel with these protective measures, medium and long-term efforts should be centred on the generation of gainful and permanent jobs.

As already discussed in the background chapter on Costa Rica (chapter III), there are several internal and external factors - such as fiscal incentives for the import of capital goods which have distorted the price of factors of production, the adoption of an import substitution model based on the functioning of the Central American Common Market, adverse terms of trade, the political turmoil of Central America, the size of the external debt and high interest rates - which partially account for the existence of employment problems in Costa Rica.

The following policy options which are derived from the findings of this investigation are not sufficient on their own to remove the causes of employment problems but, alongside other economic and social corrective measures, might prove to be useful

devices for the amelioration of the situation of households affected by employment problems and the provision of job opportunities to the economically active population.

#### 2.1. Policies to mitigate the impact of employment problems.

The findings in chapter VI indicate that one-third of the sample related changes in their health, family life and education to their employment situation. However, due to the fact that this investigation does not include all social effects of employment problems (eg, not migration) and, in view of its exploratory character, results of the study are only indicative of the magnitude of the impact of employment problems. Nevertheless, some of the findings have important implications for policy purposes.

In terms of health, 25 percent of households with employment problems identified changes in their health situation; of them, two-thirds mentioned that because of the hardship which they faced they could not continue contributing to the social security system; consequently, their access to health services was somehow limited. Some of these respondents expressed their anxiety about it and said that when they were sick (during periods of employment problems), they had to use the casualty department of hospitals to obtain medical services.

As mentioned in chapter III, the coverage of preventive health services (ie, Programme of Community Health Care) reached no more than 60 percent of the urban population in 1985; therefore, in order to facilitate access to medical services for the urban popula-

tion the government could both expand the coverage of the Programme of Community Health Care to include households with employment problems and provide curative health services to households who either had to stop contributing to the social security as a result of the hardship caused by their employment problems or who - due to their economic situation - have never been able to participate in the insurance scheme. At the beginning, the services might be provided free of charge but once the individuals affected solve their employment situation, they could start contributing to the social security system (ie, the sickness, maternity and old age pension).

Additionally, 8 percent of the individuals of the sample referred to poor health as being the cause of their employment problems. The responses of these individuals show how difficult it is to identify the direction of causality between employment problems and health; but, despite the few cases who linked their employment situation to their ailing health, the finding suggests that legislation to safeguard hygiene and safety at work should be reviewed alongside the provision of invalidity pensions.

The legislation should aim to prevent the occurrence of working accidents that might have a lasting effect on the health and working life of those affected. However, if the costs of improving the standards of hygiene and safety are too high, the implementation of the measures enclosed in that legislation might restrict employment opportunities unless the government is prepared to share some of these costs with the employers. With regard to invalidity pensions, they should be given to people whose disability limits their employment prospects.



Another aspect which was analyzed was the impact of employment on the education of members of households. In 40 percent of the households with children, parents mentioned that the hardship which they faced as a result of employment problems affected the education of their children. According to parents, children's education was hampered by the fact they could not afford to buy books and other educational materials, uniforms, shoes, give pocket money to buy refreshments or sweets (as most children do) or pay for transport and school outgoings. Moreover, several parents said that because of their economic situation, they had to reassess priorities regarding education; thus, some children were allowed to continue with their studies while others had to leave school to help with the finances or with the running of their households. Academic failure was another element which was linked by respondents to employment problems.

Lack of information on children's intellectual capacity and academic interests as well as the significance of education for both children and parents do not permit us to draw any conclusion about the relationship between employment problems and educational attainments. But, based on the responses of the interviewees, there are several policies which could help offset the damaging effects mentioned above. For instance, it is evident that the financial limitation of households with employment problems affected the education of children; therefore, a policy option to help these households with the education of some of their members would be to grant scholarships for the purchase of educational materials, uniforms and transport. Moreover, through the establishment of school libraries or the expansion of existing ones,

children would have access to textbooks; in this manner, the money which households would have otherwise spent for the purchase of books could be used to satisfy other basic needs such as clothing, housing, and food; needs which are essential for the normal development of children's mental and physical capacity.

Another policy option to mitigate the impact of employment problems on the education of children is the expansion of the coverage of the programme of hot meals for primary and secondary schools which is administered by the Social Development and Family Allowances Programme (DESAF). The assumption behind this policy is that malnourishment can affect the concentration and academic performance of the child. Thus, considering the fact that the majority of the children of the study came from poor households, a programme of school meals might help these children to improve their academic performance.

Last but not least, the discussion on the functioning of social support as a mechanism to offset the impact of employment problems (chapter VII) presents some interesting findings for policy purposes. To remind the reader of the importance of social support, it was found that half of the households in the study resorted to social support in periods of hardship. Moreover, of the households with at least one member being unemployed all but four used this mechanism.

The institution of the extended family as well as the aid given by relatives, friends and neighbours were the most common sources of support. However, because of the limited resources of the carers and the temporary and informal character of the aid

given, social support was not an effective substitute for an income maintenance programme.

Nevertheless, the magnitude of the problem of employment in Costa Rica, the fact that as many as 40 percent of the households were poor in 1985, the growing number of people involved in informal economic activities who are not insured by the CCSS (ie, Costa Rican Social Security Institution), and the limited financial resources of the government makes it practically impossible to establish an income maintenance programme. Therefore, considering the importance which social support has as a mechanism for survival in periods of hardship, a second-best option will be to strengthen traditional forms of social support. This could be done via government action though in a way in which it is integrated to modern social security schemes.

As already seen in chapter III, the Social Development and Family Allowance Programme provides poor old people, widows, and single mothers with pensions on a non-contributory basis. However, the scheme has been ineffective in its attempt to support all the households facing hardship as is shown by the fact that in 1985 only 40,000 people were beneficiaries and, worst of all, the maximum amount given was no more than the equivalent of 20 percent of the cost of a primary basket of goods and services.

Therefore, based on the findings of the study and the fact that 95 percent of the households of the sample were either poor (two-thirds) or belonged to low-income groups, to assist these households it will be necessary:

- (i) to redefine the criteria for selection of beneficiaries to include households with employment problems facing hardship;
- (ii) to expand the coverage; and
- (iii) to increase the amount of the pensions.

Furthermore, for extended families, a supplementary allowance could be given to those households where members look after the elderly or those where members take care of children to allow others to join the labour force. The latter would provide women wishing to work with the choice of sending their children to a nursery or, if possible, to delegate child care to other members of the household.

In addition to the provision of non-contributory pensions, the government could use other forms of direct assistance. An example is the Food Aid Programme which the government implemented as part of the Social Compensation Plan to alleviate the social costs of the crisis of the early 1980's. Results of the study indicate that only 5 percent of the households with employment problems received food packages and that even the few households which were recipients of this programme complained that politics rather than need was the criteria used to distribute the aid.

Therefore, the limited coverage of the programme calls for a revision of the criteria for selection of its beneficiaries and for an expansion of its coverage to include households facing hardship. Additionally, it seems that, due to the limited resources of the country, the government will have to define and choose target groups and to carry out means-tests for the selection of beneficiaries of a food aid programme.

Non-contributory pensions and other forms of public assistance could provide families with means to fulfil their obligations towards needy relatives. But, despite the fact that, more likely than not, the assistance which the government could give will not be enough to maintain households facing hardship, this type of aid would strengthen the supportive role which the extended family has in Costa Rica.

So far, the discussion has focused on policies which, if implemented, could help to mitigate the impact of employment problems. However, these policies are no more than palliatives because the ultimate solution regarding employment problems lies in the creation of jobs or better paid jobs. Therefore, the remainder of this section looks at policies aimed to provide people with more employment opportunities and to assist them to find jobs.

## 2.2. Policies to improve employment opportunities.

There are several policies which a government could implement to expand the demand for labour; on the one hand, the government might intervene directly by creating new jobs through public investment while on the other hand, the government might do it indirectly by providing incentives for the generation of jobs such as tax concessions and subsidies to pay for the salaries of any extra person employed by private companies. The following policy options are based on the findings of this investigation; thus, they should be seen only as part of several measures which a government could use to reduce employment problems in Costa Rica.

First, as already discussed in chapter V, the predominance of women amongst those with employment problems is explained by the incorporation of the category of employment problem inactive wishing to work since 86 percent of the persons under that category were women. Moreover, because 70 percent of them came from nuclear households, the findings suggest that household responsibilities, particularly child care, were major obstacles which prevented women from joining the labour force.

Therefore, a policy which the government could implement to enable women to participate in the labour force is the establishment of children's nurseries at the community level for children of pre-school age. A programme of children's nurseries would allow women wishing to work to release their child care responsibilities and join the labour force. An added advantage of this policy is that nurseries can fulfil a major gap in the education system of Costa Rica; that is, the non-existence of pre-school institutions accessible to people from the low-income strata.

Apart from the establishment of children's nurseries, the government could adopt other policies to facilitate the participation of women in the labour force; for instance, the matching of school hours with working hours. This measure would allow women to have more job opportunities since their participation in the labour market would not be restricted to part-time jobs (to coincide with current school hours, ie, 7 a.m. to 2 p.m.). However, before the modification of school hours could take place, the

government would have to estimate the costs of the programme in relation to its physical infrastructure and staff requirements.

Another policy which might help women to join the labour force is the provision of supplementary allowances to households where members are prepared to take care of children to enable other members to work. These allowances could be a useful instrument not only to strengthen traditional social support practices (as already discussed) but, also, to act as an extra incentive for households to reallocate their domestic responsibilities in order to allow members, particularly women, to participate in the labour force.

Second, the study underlined the extent to which individuals and households affected by employment problems opted for the use of alternative sources of work and income to offset the hardship which they experienced. Findings in chapter VII indicate that the majority of people of the sample participated in the informal sector. Some features of the urban informal sector (UIS) such as ease of entry, small-scale production with low overheads, the use of labour-intensive techniques, and control over working hours are factors which explained the high level of participation of people with employment problems in the UIS. Nevertheless, for most of them occasional work was no substitute for paid work in the formal economy as was illustrated by the fact that 85 percent of the respondents who participated in the UIS missed the security of a full-time paid job. Lack of skills, technical knowhow and limited access to credit facilities (if any) meant that informal activities were kept at a subsistence level.

Another alternative source used was the establishment and operation of productive units at the household level. This course of action was adopted by 20 percent of the households with employment problems who produced goods for their own consumption and for the market. The type and quantity of goods produced were determined by the skills of the members of a household, its structure, its needs, availability of capital goods, and the economic situation of their neighbours ( who were the main buyers of these products).

Evidence from this investigation shows the wide use of alternative sources of work and income by individuals and households to offset the hardship which they faced due to employment problems. Moreover, as shown by the fact that 85 percent of the participants in the informal sector were dissatisfied with it, informal activities were far from being substitutes for paid work in the formal economy. Therefore, there are several policies which the government could implement to help people to become financially independent.

Notwithstanding the fact that an exhaustive analysis of the characteristics of the informal sector is imperative before any of the policies being proposed here can be implemented, the following are some suggestions aimed to improve employment opportunities and consequently the standard of living of people participating in the UIS. These policies are targetted towards individuals who want to be self-employed and households which want to set up a home production unit. Consequently, in order to establish an employment programme these policies should be integrated with others (to be discussed later) which deal with employment in the formal economy.



Based on the type of informal activities which people undertook, it seems that in order to improve the employment situation of the participants in the informal sector, it is necessary to provide them with training and access to credit facilities. Regarding the former, vocational training is generally oriented to the development of skills used in modern enterprises. Trainees, through these courses, obtain information on the use of tools and machinery linked to the formal economy rather than basic knowledge on accountancy, management, project design and transfer and adaptation of appropriate technologies which are more relevant to the economic activities of the informal sector.

Despite the main orientation of INA's (ie, Manpower Training Institute) training courses, a programme of public workshops was established in early 1980's as a response to the increasing number of people participating in the informal sector. Basic training was given by using on-the-job-training methods. The participation of individuals was voluntary and the staff of the workshop provided participants with tools and machinery. Trainees could spend as much time as they wished to and their only requirements were to bring their own materials and to pay a nominal fee for the use of the physical installations of the workshop.

As already seen, only a few workshops were operating which were attended in 1985 by 3,260 individuals. In addition to the small number of beneficiaries of the programme, a study by Haan (1985) of a public workshop in San Jose questioned the effectiveness of this programme. This was a workshop where courses on tailoring and carpentry were given; however, at the end of the courses less than one-third of the participants decided to con-

tinue working on these occupations and only a few products were sold.

Notwithstanding the limitations of the programme of public workshops in terms of its coverage and the inadequacy of its curriculum, public workshops are instruments which the government could use to provide participants of the informal sector with the necessary skills and knowhow to transform their subsistence activities into productive and gainful ones. However, in order to do this the government should firstly, take into consideration the needs of prospective users when elaborating the curriculum and, secondly, workshops should include courses on basic accountancy, management and product design. These complementary courses would help participants to start their own business.

Furthermore, trainees should be encouraged to associate with others for the purchase of inputs of production and the commercialization of their products; thus, the resulting economies of scale would reduce costs of production. The workshop is an ideal place for the formation of groups of small entrepreneurs because it acts as a meeting point for individuals who in the future are likely to carry out similar economic activities. Regarding the finance of a programme of public workshops, it would need to be partially financed from public revenues and partially from a proportion of the revenue which participants obtain from the sale of goods which they produce during the training courses.

Last but not least, apart from the establishment of workshops, the government could encourage and assist private initiatives aimed to provide participants of the informal sector with train-

ing. Tax concessions or contributions through public revenues are ways in which the government could help private organisations to establish training courses for people with employment problems.

The type of informal activities which the individuals of the sample did were determined not only by their low skills but also by their limited access to capital loans. Therefore, if the objective is to help people with employment problems who wish to be self-employed to improve their economic situation, access to training facilities should be accompanied by the granting of loans under favourable conditions.

For that purpose, the government could use the National Banking System. However, due to the high administrative costs involved in processing many small credit loans, it might be better to look for an alternative scheme. For instance, it might be a good idea to create a Revolving Fund at the Banco Popular y de Desarrollo Comunal (ie, employees' bank). The Fund could be used to give capital loans to small units of production of the informal sector and to finance training courses. Recipients should be charged the market interest rate although, according to the objectives of the fund and the nature of the projects, a period of grace might be granted.

Moreover, to avoid high administrative costs and, at the same time, to promote the organisation of people participating in the informal sector, no single loans should be given to people performing similar activities on an individual basis such as petty commerce. These people could form groups (5 or 10) which would act as collateral against any loan given. An added advantage from the

beneficiaries point of view is that the formation of groups would enable them to reduce their costs by using economies of scale for the purchase of merchandise.

The Fund could be financed through an employer liability scheme under which the employers would contribute every month the equivalent of 8.33 percent of the wage bill. This contribution will replace the severance payment which according to the labour legislation (Codigo de Trabajo, 1979) employers must pay to employees who are unfairly dismissed. In addition to employers' contributions, employees and the State could also contribute to the Fund.

The Fund could be administered by employers and employees' associations (including organisations of participants in the UIS) as well as by representatives of the government. Furthermore, regarding the use of the Fund, part of it could be used to finance productive projects and training courses; the latter for people participating in the informal sector while the former should also apply to people working in the formal economy who want to buy shares of their companies or start their own business.

The written constitution of Costa Rica (Constitucion, 1980) in its Article 72 says that until an unemployment insurance is established, the obligations of the State are to support involuntarily unemployed individuals and to help them finding a job. Moreover, Article 2 of the Bill of Congress which created the CCSS (ie, the social security system) in 1943 (Ley Constitutiva, 1943) includes unemployment as one of the risks which the CCSS must insure against. However, due to the characteristics of the labour market

in Costa Rica and the financial limitations of the CCSS, no unemployment insurance has been established yet.

Therefore, one feasible policy would be to use part of the Fund to provide employees, who lose their jobs and who contribute to the Fund, with an insurance against their unemployment. The insurance could take various forms; for example, a single flat lump sum could be paid as soon as the contingency occurs or, an earnings related sum could be given on a monthly basis according to the number of years worked. Either of these forms of insurance would enable them to support their families and spend more time searching for jobs. Findings of the study show that 60 percent of unemployed people had to participate in the UIS while searching for jobs; thus, a scheme like this would have allow them to concentrate their efforts in the search of a job. Additionally, with a scheme like this, individuals who prefer to start their own business would be able to use the money received for that purpose.

Third, another aspect analyzed in the study whose findings had some interesting implications for policy purposes was the process of job search. It was found that, despite the establishment by the government of bolsas (ie, employment exchange services) in the seven provinces of Costa Rica, only 10 percent of the unemployed individuals of the sample went to la bolsa to seek information on vacancies. Moreover, the inefficiency of la bolsa to assist job seekers is also highlighted by the fact that as mentioned in chapter III, employers tended to use la bolsa as the last resort to allocate their jobs.

Therefore, in order to comply with its obligation to help

people finding jobs (Constitucion, 1980: Article 72), the government could improve the efficiency of its employment exchange services. A recommendation for that purpose is to complement the employment exchange services with a computerised information network to be based in San Jose (at the Ministry of Labour and Social Security) with regional branches and local offices in each of the 81 cantones of the country.

Such a network could provide both job seekers with information on number, nature and location of vacancies and employers with information about the personal characteristics, skills and job experience of people looking for jobs. Through the establishment of a register it would be possible to obtain information on employment opportunities and characteristics of job seekers. However, a major problem which must be dealt with is the need to change the attitude of employers towards la bolsa and to persuade them, first, to register their vacancies and, second, to grant interviews to job seekers who are identified by the staff of la bolsa as potential candidates to fill these vacancies.

Without the cooperation of employers, it would be impossible to run an efficient information network. Therefore, a possible way to ensure their participation in the scheme is to make them contribute to the finances of the scheme. The principle behind this suggestion is that employers should pay for a service which (if run efficiently) will lower the costs of filling their vacancies.

Moreover, the participation of job seekers is also crucial for the success of the network. Hence, it is important for the government to encourage people to register. Like many developed

countries where unemployment benefits are given only to jobless people who register, it is possible to use a similar policy though, in the absence of an unemployment benefit, the government could give access to training and credit facilities only to people with employment problems who register.

An additional advantage of the requirement for job seekers to register is that the information provided by them will help the government to identify their manpower needs. Thus, based on this information, the curriculum of the vocational training courses given by INA as well as the training which will be offered in public workshops will have to be modified to respond to these requirements.

Finally, people's awareness of public assistance programmes and the number of beneficiaries of these programmes was analyzed in chapter VII. It was found that no more than 10 percent of the sample knew about them and, worst of all, only a few people received assistance through these programmes. Consequently, a major effort should be made by the government to promote these programmes, to simplify procedures and to improve information on entitlements rights. These efforts should apply not only to the programmes reviewed in the study (ie, Food Aid Programme, Vocational Training and La Bolsa) but also to the programmes suggested in this chapter and others which the government might implement to reduce the problem of employment in Costa Rica.

To recapitulate, two sets of policies drawn from the findings of this investigation have been discussed in this section. The first set included policies whose main objective is to mitigate

the effects which respondents associated with the occurrence of employment problems. Some of the policy options available to the government deal with reforms of existing programmes such as the expansion of health services and school meals while others require the elaboration of new policies such as the granting of scholarships to buy educational materials and of social allowances to strengthen traditional social support practices (eg, extended family).

The second set of policies is based on the analysis of the responses of individuals and their households to employment problems. The objectives of these policies are to increase employment opportunities and to assist people to find jobs. For that purpose, the policy options discussed are the establishment of children nurseries at the community level, the creation of public workshops, the use of an employer liability scheme to create a Revolving Fund, and the establishment of an information network to complement the employment exchange services of the government.

Although the two sets were discussed separately, in practice they should be integrated as part of a comprehensive employment programme aimed to reduce employment problems in Costa Rica.

The research presented here is the first detailed assessment of employment problems in Costa Rica. It has produced results with significant policy implications for tackling employment problems. Even so, further research on the subject is vital not only because of its significance for future employment policies in Costa Rica but also because it touches on the fundamental problems of development and poverty in developing countries.



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APPENDIX A.

QUESTIONNAIRE.

PART I. General information about the household.

Household data:

Name of head

Number of members

Total: < 12 years of age

> 12 years of age

Name	Head	2nd Member	3rd Member...
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Status in household

Sex

Age

Place of birth

Education

Live regularly at home

Occupation

Economic sector

Occupational category

Working hours per week

Wish to work more hours

Income

Contribution to hhld income

Part II. Individual information.

2.1 Conditions of work of last/current job:

Name:

(a) Number of working hours of principal job...

of other jobs...

(b) Description of job in terms of seniority, tasks, type of job contract, size and economic situation of the firm, income, payment policies, labour organizations, schedule.

(c) What do you like about your last/current job?

What do you dislike about it?

Would you like to work elsewhere?

Are you looking for a new job?

2.2 Job history of individuals with employment problems:

(a) Occupation, initial and final tasks.

(b) Starting and final age.

(c) Size of enterprise.

(d) Occupational category.

(e) Manner in which job was obtained.

(f) Reasons for termination of job.

(g) Educational attainment at the start of job.

(h) Number of working hours per week.

(i) Initial and final income.

(j) Job satisfaction.

Note: please gather the listed items for every job which each respondent had and identify periods of employment problems (last 5 years).

2.3 Individual impact:

Name of respondent

Effects:

- (a) How long have you been unemployed?
- (b) What are your feelings regarding your unemployment?
- (c) Have you noticed changes in your family life?
- (d) Have your relationships with other people changed?
- (e) What do you do with your time?

Importance of work:

- (f) How important is work for you? Why?
- (g) In case someone gives you enough money to satisfy your needs, would you work?

Note: questions a,b,f, and g should be addressed only to unemployed people.

2.4. Job search process:

(Note: only for unemployed people)

Name: \_\_\_\_\_ Period of reference: \_\_\_\_\_

- (a) Have you being doing anything to find a job?; What?  
(include activities in cronological order, intensity, place)
- (b) Have you used in the past any other means to search for a job?

Visit factories, farms	Yes	No
Ask relatives, friends	Yes	No
Answer or place adverts	Yes	No
Visit employment exchange office	Yes	No
Ask trade unions, cooperatives, etc	Yes	No

(c) With your knowledge and experience , which occupation do you think that you could perform?

(d) Which job would you like to have?

(e) Are you considering doing anything to improve your skills? What?

Part III. Household information:

3.1 Impact of employment problems and households' responses.

Note:ask the person responsible for the expenses of household questions a,b,c,d and e; for the other questions invite other members to participate.

(a) How do you manage your household budget?

(b) How much do you spend per month? in what?...

Monthly expenses (colones)      before      after

Housing

Electricity/water

Food

Clothes

Education/health

Leisure

Debts

Others

(c) What is the minimum income you require to match your expenses?

(d) Which are the most important items needed by the household?

(e) In addition to the money you receive from the contributions of all the earners of the household, have you received any other aid? (state amount and periodicity of aid received)

For example... severance payment, aid from relatives, friends.

(f) Are any of the items which you use or consume self-produced?

(g) What have you done to compensate for the loss of income caused by employment problems?

Impact of employment problems:

(h) Have you noticed any changes in your family life? (explain)

(i) Does the person with employment problems help more with the running of the household?

(j) In general, how is the health of members of the household?

(k) Have you noticed any change in the health situation of the members of the household since the occurrence of employment problems?

(l) Have you used the health services more frequently since the employment problems have arisen?

(m) Has any member of the household had any problem with his/her studies? (explain)

(n) Has anyone been forced to leave school?

(o) Has anyone helped with the studies of members of the household?



3.2 Awareness of public assistance programmes and opinions:

(a) Do you know of any public assistance programme?

(b) Have you ever been a beneficiary of:

- job generation schemes                      - food aid
- employment exchange services      - manpower services

(c) Do you think that employment problems affect many or few people?

(d) Do you think that the government should be responsible for solving employment problems? What should the government do?

(e) Do you know of any government action?

(f) How do you think that people with employment problems manage to survive?

Assessment of the interview:

- summary of interview.
- living conditions (type of house, access to services, furniture, electrical appliances, quality of neighbourhood).
- perception of quality and reliability of information obtained.

APPENDIX B.

CODING OF DATA.

<u>VARIABLES.</u>	<u>VALUE LABELS.</u>
(1) Location	Number of interview Address Number of the Household
(2) Quality of interview	1 Good 2 Fair, few problems 3 Difficult relationship with individuals, thus quality not so good. 4 Bad, interviewers were mistrusted 9 No assessment.
(3) Economic situation	1 Poor 2 Low income 3 Better-off 9 Missing
(4) Size of household	Number of members:  > 12 years of age  number of employed members

- (5) Status in household
- 1 Head
  - 2 Wife/husband
  - 3 Son/daughter
  - 4 Other relatives
  - 5 Non-relative
  - 9 Missing
- (6) Structure of household
- 1 Nuclear
  - 2 Extended
  - 3 Woman with children
  - 4 Other
  - 9 Missing
- (7) Sex
- 1 Female
  - 2 Male
- (8) Age
- 12 to 99.
- (9) Employment problems
- 1 Fully employed
  - 2 Underemployed
  - 3 Unemployed
  - 4 Inactive wishing to work
- (10) Education
- 0 None
  - 1 Primary
  - 2 Secondary
  - 3 Superior
  - 9 Missing

- (11) Occupational category
- 1 Fixed, full employment
  - 2 Non-fixed (seasonal, casual)
  - 3 Self-employment, stable
  - 4 Self-employment, unstable
  - 5 Unemployment
  - 6 Unemployment with occasional jobs
  - 7 Inactive wishing to work
  - 8 Inact wishing to work with occasional jobs

- (12) Economic activity
- Agriculture
- 11 Formal sector
  - 12 Informal sector (up to 5 workers)
  - 10 Non-specified
- Industry
- 21 Domestic demand (> 200 workers)
  - 22 Export oriented
  - 23 Small scale (5 to 19 workers)
  - 24 Informal (up to 5 workers)
  - 20 Non-specified
- Construction
- 31 Formal
  - 32 Informal
  - 30 Non-specified
- Basic Services
- 41 Electricity, water
  - 42 Transport and communication

Commerce

- 51 Wholesale
- 52 Retail, formal
- 53 Retail, informal
- 54 Catering, formal
- 55 Catering, informal
- 56 Financial services
- 50 Non-specified

Services

- 61 Central Government
- 62 Autonomous Institutions
- 63 Repair
- 64 Personal services, formal
- 65 Personal services, informal
- 66 Domestic services
- 60 Non-specified
- 99 Missing

- (13) Manner in which job terminated
- 1 Voluntary
  - 2 Involuntary
  - 3 Self-employed (bankruptcy)

- (14) Job satisfaction
- 1 Positive, no wish to change job
  - 2 Negative but no wish to change job
  - 3 Negative and wish to change job
  - 4 Undecisive

- (15) Type of job wanted
- Same codes of General Household Survey

- (16) Preference in terms of occupational category
- 1 Salaried
  - 2 Self-employed
  - 3 Employer
  - 4 Unpaid family work
  - 99 Any job (indifferent)
  - 992 Any job but self-employed
  - Blank...not looking for a job
- (17) Wish to further education
- 11 General education
  - 12 Complete primary
  - 13 Complete secondary
  - 14 Superior studies
  - 15 Technical or vocational education
  - 16 Languages
  - 17 Accountancy, typing.
  - 18 Professional training (midwives, nurses)
  - 19 Would like to study but does not know what
- (18) No wish to study due to...
- 21 Age
  - 22 Not interested
  - 23 Lack of opportunities
  - 24 Lack of time
  - 29 No particular reason
- (19) Obstacles affecting job search
- 1 Disability
  - 2 Temporary illness
  - 3 Family problems
  - 4 Age
  - 0 No obstacles
  - 9 Non-specified

- (20) Required conditions to work
- 1 Replacement for domestic duties
  - 2 Flexible working schedule
  - 3 Proximity of workplace to household
  - 4 Other
- (21) Changes in household life
- 1 No changes, other members employed
  - 2 No changes due to informal jobs
  - 3 Non-specified changes
  - 4 Behavioural changes
  - 5 Economic changes
  - 6 Less security due to lack of fixed job
  - 9 Missing
- (22) Changes experienced by members
- 1 Negative changes
  - 2 Positive changes
  - 8 No changes
  - 9 missing
- (23) Changes in health
- 0 No changes
  - 1 Mental illness
  - 2 Physical illness
  - 3 No answer, does not know
  - 9 Missing
- (24) Changes in education
- 0 No changes
  - 1 Lack of money to buy books, notebooks, etc.
  - 2 Dropouts
  - 3 No answer, does not know

- (25) Activities of people with employment problems
- 1 Nothing
  - 2 Leisure
  - 3 Study
  - 4 Household activities, no income
  - 5 Occasional jobs at home, income
  - 6 Occasional jobs outside home, income
  - 7 Job search only
  - 9 No answer
- (26) Job search activities
- 1 None
  - 2 Ask relatives, friends, trade unions, coops
  - 3 Visit establishments
  - 4 Answer or place adverts
  - 5 Visit employment exchange office
  - 6 Activities to start own business
  - 9 Missing
- (27) Total hhld income
- Contributions from members of household plus other sources of income
- (28) Other source of income
- 0 None
  - 1 Pensions
  - 2 Money from abroad
  - 3 Loans
  - 4 Severance payment
  - 5 Aid from relatives, friends
  - 6 Income from letting rooms
  - 7 Other
  - 9 Missing



(29) Necessary income to satisfy basic needs

(30) Most felt necessities

- 1 Food
- 2 Clothes
- 3 Leisure
- 4 Furniture, electrical appliances
- 5 Health
- 6 Education
- 7 Ownership of house
- 8 Repair of house
- 9 Missing

(31) Self-consumption

- 1 Food
- 2 Clothes
- 3 No production
- 4 Missing

(32) Economic effects

- 1 No changes
- 2 No changes, always unstable
- 3 Minor negative changes
- 4 Drastic deterioration
- 5 Positive changes
- 8 None of the above
- 9 Missing

(33) Activities      Employment

- to compensate 11 Overtime, same job  
loss of 12 Informal, occasional work  
13 Extra domestic work in exchange income  
14 Incorporation spouse/husband labour force  
15 Incorporation other members labour force  
10 Non-specified

Sales/Rentals

- 21 Sales of furniture, electrical appliances  
22 Letting of rooms  
20 Non-specified

Aid/Loans

- 31 Aid from relatives  
32 Aid from neighbours, friends  
33 Private aid (church, non-government inst)  
34 Public aid (government)  
35 Informal loans (relatives, friends)  
36 Formal loans (banks)  
30 Non-specified

Reduction of household budget

- 41 Purchase of cheaper substitutes (goods)  
42 Lower consumption  
40 Non-specified

99 Missing

- (34) Awareness of public assistance programmes
- 1 No knowledge
  - 2 Job generation, employment exchange offices
  - 3 Social welfare programmes (IMAS, DESAF)
  - 4 Manpower services (INA)
  - 5 Others
- (35) Perception of employment problems
- 1 Affecting many
  - 2 Affecting few
  - 3 Does not know
  - 9 Missing
- (36) Causes of employment problems
- 1 Lazyness or people look for specific jobs
  - 2 Shortage in demand for labour
  - 3 Few sources of employment (new firms)
  - 4 Too many refugees, other foreigners
  - 5 Wrong economic policies
  - 9 Does not know
- (37) What could be done
- 1 Creation of jobs
  - 2 Stop inmigration, especially from C.A.
  - 3 Force people to work
  - 4 Manpower training
  - 5 Assistencial programmes
  - 9 Does not know
- (38) How does people with employment problems survive?
- 1 Informal jobs
  - 2 Prostitution
  - 3 Criminal offences, drugs
  - 4 Social support
  - 5 Others / 9 Does not know