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Costa Rica's social policy response to the pandemic: From potential for universalism to austerity-as-usual

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Costa Rica is internationally recognized for its long-standing and strong universal social policy regime. It performs extremely well in output welfare indicators, especially compared with other countries in Latin America. For example, Costa Rica has the second highest life expectancy in Latin America and the Caribbean (80.6 years), at par with countries in Northern Europe, it has a low infant mortality rate of 9 per 1000 births and general high levels of social security coverage (around 90%) (National Institute of Statistics and Censuses (INEC), 2023; World Bank, 2022). Notably, it achieved this relatively early in its history, by the 1940s. However, this social policy regime has come under increasing pressure since the 1980s, when austerity measures followed the 1980s debt crisis (Martínez-Franzoni and Sánchez-Ancochea, 2013). Recently in 2018, new austerity measures were proposed by government authorities (Presidencia de la República de Costa Rica, 2018), and there had been a slow-but-steady erosion of the country's social protection system (Martínez-Franzoni and Sánchez-Ancochea, 2023).

Initially, we argued that the pandemic represented an opportunity to strengthen Costa Rica's commitment to universalism in social protection (Voorend and Alvarado, 2021). In reaction to COVID, during 2020, the country quickly took several measures in different social policy sectors: health care, pensions, and social assistance. Now, mid-2023, the question we explore is whether this commitment to universalism has progressed or whether it is business-as-usual, that is, back to austerity and more pressure on Costa Rica's once-so-impressive social policy regime?

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The COVID-19 social policy legacy

The COVID-19 pandemic implied a contraction of Costa Rica's gross domestic product (GDP) by −4.1%, while unemployment increased (24% in 2020, now lower at 11.6% in 2023), as did poverty (around 23% since 2020). Likewise, informality grew to 44% of the working population (INEC, 2023; Programa del Estado de la Nación (PEN), 2022). In response to these implications, the Costa Rican State took several social policy measures (Voorend and Alvarado, 2021). However, the social policy investments made during the pandemic have not meant structural change of Costa Rica's social policy regime.

The additional healthcare infrastructure created to meet the peaks of COVID-19 infections was temporary and did not result in an increase of hospital capacity. Today, COVID cases are treated in small units within the pre-existing hospitals (Elpais, 2022). During the pandemic, health coverage was temporarily extended to any person with COVID, irrespective of insurance status, nationality, or migratory status (Arce, 2020). This universal measure still applies to date and has been extended to the vaccination campaigns (Gómez, 2021), but it is an explicit measure for COVID only and does not encompass other health treatments. Another important policy applied in 2020 was to reduce the minimum contribution base by 75% for employers and by 25% for independent workers (Presidencia de la República de Costa Rica, 2020), to ensure that public health insurance coverage would not drop in the face of the pandemic. After December 2020, however, this measure was discontinued.

Concerning pensions, measures made it possible to opt for early pension payment advances and to withdraw special savings funds. Such facilities granted during the pandemic were aimed at maintaining the existing coverage and the services provided to members, rather than at growth of universal coverage (Voorend and Alvarado, 2021). All measures were discontinued, and currently, there are sustained public concerns over the financial strength of the pensions system, as well as possible imminent bankruptcy.

Finally, the star program during the pandemic in Costa Rica was a special conditional cash transfer program called *Plan Proteger* (Protection Plan), conceived as a temporary basic income scheme for people who had lost all or part of their employment and source of income (Ministry of Labor and Social Security (MTSS), 2020). The program ran for 6 months during 2020 with an investment of approximately 0.9% of GDP and was generally well received and evaluated (Ministry of Planification and Economic Policy (MIDEPLAN), 2022). However, plans for its continuation after 2020 were not approved by Congress due to scandals over resource management (Arrieta, 2020). Much of the discussion around the decision to discontinue this program centered around austerity in the face of the public deficit and public debt, perceived to be unsustainable (Martínez-Franzoni and Sánchez-Ancochea, 2023).

Back to austerity-as-usual?

While the social policy measures during the pandemic were important to deal with the adverse effects; in 2023, it seems none resulted in sustained and structural improvements to advance any dimension of universalism in Costa Rica neither in terms of coverage, quality of services, nor their financing and payment. Instead, under the banner of austerity, the country seems to be re-taking a worrisome turn to austerity, which compromises its commitment to universalism.

Austerity measures had previously been implemented by right-of-center governments (Alvarado's presidency, 2018–2022) and are currently pursued by the right-wing populist government of Rodrigo Chaves. Costa Rica's fiscal deficit was 8.03% in 2020, 5.18% in 2021, and in part following austerity measures that cut public costs; in 2022, it dropped to 1.9% (EFE, 2022; Murillo, 2021). However, no fiscal adjustments were passed to improve tax recollection.

A case in point is the 2021 agreement between the Costa Rican government and the International Monetary Fund (IMF) which allows the country to access US $1.775 million in financing in exchange for structural and legislative reforms aimed at lowering the country's public deficit and debt (IMF, 2021). This agreement is often cited in public debate as a justification for further austerity measures and has had a direct impact on social spending.

Where Costa Rica was historically among the countries in Latin America with high public social spending, it has lost ground over the last decade. Initially, during the pandemic, public social spending increased from 11.75% of GDP in 2019 to 12.3% in 2020, but it has since declined to a historic low of 9.8% in 2023 (Bermúdez, 2022). This decline has affected policy areas that were initially addressed during the pandemic, as the year 2023 represented the lowest investment in health over the last decade, with only 0.7% of GDP (with a drop of 8.4% in nominal terms from the previous year). While social assistance spending did grow in nominal terms (by 1.3%), but as a percentage of GDP, it also reached its lowest level in the last decade: 3.4% of GDP (Bermúdez, 2022).

Another encompassing measure is the Global Wage (*Salario Global*) that was passed in March of 2022 with the Public Employment Framework Law and came into effect in March 2023. In a nutshell, this law forces autonomous state institutions to define wage categories for occupations, eliminating all surplus payments, bonuses and incentives and freezing public wages for indefinite periods. For social policy, concretely, it is feared that the policy will imply a brain drain from the public service sector. With stagnating or decreasing real wages, the well-trained and educated public servants (doctors, nurses, university professors, etc.) might be tempted to find jobs in the private sector.

Therefore, while the pandemic presented an opportunity to strengthen Costa Rica's long-standing commitment to universalism, and some of the introduced measures initially had the potential to expand the country's social policy regime, this 'repositioning' of the state was short-lived. The dominant discourses around austerity, and policy measures accompanying it, seem to have gained the upper hand (Martínez-Franzoni and Sánchez-Ancochea, 2023). This 'austerity-as-usual' implies further erosion of Costa Rica's universal social policy regime, increasingly chipping away from the remnants of what once was a truly unique, solidary, and universal social protection scheme.

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