Journal of Youth Studies

ISSN: 1367-6261 (Print) 1469-9680 (Online) Journal homepage: https://www.tandfonline.com/loi/cjys20

The transition to the adult world with debt: characterizations of new economic insecurities of indebted young professionals in Santiago de Chile

Lorena Pérez-Roa & M. Constanza Ayala

JOURNAL OF YOUTH STUDIES
2020, VOL. 23, NO. 5, 631–649
https://doi.org/10.1080/13676261.2019.1636011

The transition to the adult world with debt: characterizations of new economic insecurities of indebted young professionals in Santiago de Chile

Lorena Pérez-Roa[a] and M. Constanza Ayala [b]

[a]Trabajo Social, Universidad de Chile, Santiago, Chile; [b]Instituto de Sociología, Pontificia Universidad Católica de Chile, Santiago, Chile

ABSTRACT

This paper seeks to explore how indebtedness increases the economic instability of Chilean young adults working as professionals who are unable to address their financial commitments. This is taking place within a context of sustained increases in consumer debt and the financialization of policies on higher education access. This is a descriptive analysis of the results of a survey created in order to characterize the forms of indebtedness and credit obligations of young professional debtors in Santiago, Chile. We use this to explore how the transition to the adult world using debt can destabilize the socio-economic status of young professionals. Our results show that a rather large percentage of these youths has more debt than income and that educational and consumer debts are the reason for late payments. They also have a harder time handling economic commitments when they have dependents. Young debtors are generally worried about their debt levels.

ARTICLE HISTORY
Received 7 June 2018
Accepted 20 June 2019

KEYWORDS
Debt; student loans; financialization; transition; young adulthood

Introduction

Finding oneself in a problematic indebtedness situation is the result of a series of events that begins for many young Chileans at the time they enter higher education. In Chile, just as other western societies, the high costs incurred by accessing higher education are borne primarily by the youths and their families. According to the data obtained from the Household Financial Survey (*Encuesta Financiera de Hogares* in Spanish or EFH 2018, Banco Central de Chile 2017), only 12.3% of Chilean households have education debt, but it is concentrated mostly among the young adult generation. Specifically, individuals between 25 and 29 years of age (27.82%) have the highest percentage of education debt at the national level according to this survey. The financing system for higher education in Chile dates back to the sweeping reforms pushed by the military government in 1980. These reforms created private universities and other institutions and redesigned the university financing structure (Bernasconi and Rojas 2004). Dating back to 1981, the government developed a system of student aid based on loans and scholarships in order to

CONTACT Lorena Pérez-Roa loperez@uchile.cl Trabajo Social, Universidad de Chile, Avenida Capitán Ignacio Carrera Pinto 1045, Ñuñoa, Región Metropolitana, Santiago 7800284, Chile

guarantee access to higher education. Chile was the first Latin American country to introduce fees for public universities in the 1980s and remains the only country with fees above USD 1000 for undergraduate students at public universities (SIES 2017). While this system increased university enrollment by more than 60% in twenty years, the economic weight of this increase was borne in large part by the youths and their families (Meller 2011). In fact, before the creation of the free education policy in 2015,[1] indebtedness was the main financing strategy for higher education for the majority of the middle and lower classes (Meller 2011; Urzúa 2012).

The Credit System with State Guarantee (CAE) is the credit modality that in its 12 years of existence has done the most to promote access to higher education. The CAE is a credit system for financing higher education created in 2005 by Law 20.027. This credit is provided by a financial institution and guaranteed by the State, which functions as the guarantor until the debtor has fully paid back the debt. Anyone with proven academic merit that wishes to pursue a course of study at an institution of higher education that participates in the Credit System with State Guarantee can be a beneficiary of the CAE. Credit payback begins 18 months after the beneficiary has completed their degree program. Repayment is made in installments at a 2% interest rate. The payment period is determined as a function of the amount received and can extend to a maximum term of 20 years. According to data from the Revenue Commission (*Comisión Ingresa* in Spanish[2]), 874,293 people studied using the CAE in 2017; 56.6% of them are women and 43.4% are men. According to data from the Fundación Sol (Kremerman and Páez 2017), there were 295,580 people paying back the CAE in December of 2016 regardless of whether they had graduated. 28.7% of graduates currently paying this debt are in a problematic debt situation. Similarly to the US (Houle 2014), non-payment of student debt in Chile has legal consequences that make it harder to pay off. In Chile, the bankruptcy law does not apply to student debt. If a young debtor is behind on payments, they enter the debtor registry, which then prevents access to any credit of another nature (Ley 20.720[3]).

The sustained increase in the youth expectation of having access to a university education is perceived as a symbol of the opening up of the Chilean higher education system to sectors of the population that formerly were excluded from this education level (Castillo and Cabezas 2010). Various studies have shown that the expectations that Chileans put on public education are very high (Araujo and Martuccelli 2014; Pérez-Roa 2014, 2018; Guzmán, Barozet, and Méndez 2017). For many 'education helps one escape from poverty, move up socially and professionally, and access culture in order to receive equal treatment. It shortens social distance and creates connections with people from other groups', (Guzmán, Barozet, and Méndez 2017, 100).

The increase in student indebtedness among young adults has gone hand in hand with a process of credit market expansion. Credit liberalization policies have aggressively promoted credit access for young people (Lachance, Beaudoin, and Robitaille 2005). According to data from the National Youth Institute (hereinafter INJUV), 37% of young people in Chile have at least one debt, loan or credit in their name. Of those, 24% have had to stop making payments and 20% have ended up in DICOM (a credit rating agency) (INJUV 2013). Banking institutions would explain this debt as a result of unstable incomes in the youth population, given that many of them work in the informal sector or simply sporadically (SBIF 2017).

In a context such as Chile, which is characterized by the expansion of the credit market (González 2015; Marambio 2018) and the mass broadening of student credit as a means of accessing higher education (Pérez-Roa 2014; González 2017), this article intends to explore the burden placed upon adult life as a result of being saddled with educational and consumer debt. We have asked questions about the situation of those young professional debtors who had to follow 'the rules of the game', namely attending university, obtaining decent jobs and having consumer aspirations that emulate the behavior of the rich classes (Ruiz and Boccardo 2015). We dove into the experience of young people aged 25–35. This generation was born during the implementation period of the neoliberal economic and political model characterized by the privatization of State goods and the liberalization of economic markets (Garretón 2012). All of the above suggests that access to education for this generation, for example, almost exclusively depended upon the socio-economic position of their parents or the option of accessing education credit. Like Antonucci (2018), we seek to explore how moving into the adult world with debts can precariously condition young debtors, particularly those who do not have the economic support of their families. We claim that exploring the situation lets us question the reach of social mobility through indebtedness that predominates in the Chilean neoliberal discourse (Espinoza, Barozet, and Méndez 2013).

To address this goal, this article is structured into three sections. First, we will discuss some conceptual elements to understand student indebtedness as an economic obstacle in the transition to adulthood. Then we describe the methodological framework of our study in order to present the principal results compiled about the situation of young professionals in default status in Santiago, Chile, which are then discussed further. The article closes with a section on the conclusions and projections of this study.

Moving through the adult world with debt: new economic obstacles in the transition to adulthood

The literature on the processes of indebtedness has notably increased in recent years. The subprime economic crisis and the sustained increase in the cost of higher education with the attendant jump in young people's debt levels (Houle 2014) made evident the precarious nature of indebtedness in general (Dwyer, McCloud, and Hodson 2011) and the risks facing youths in particular (Elder 1994). Young people are especially vulnerable when it comes to handling problematic debt (Raijas, Lehtinen, and Leskinen 2010; Robson, Farquhar, and Hindle 2017). Youth is a time in life when individuals and households have relatively low incomes, few assets, and scarce resources regarding financial practices (Robson, Farquhar, and Hindle 2017). However, it is also a time when young people make significant decisions and investments in their future, such as completing their education, buying a house and getting married, most of which lead them into debt (Houle 2014). While access to credit can provide young adults with the financial resources necessary to reach many of these milestones, overloading oneself with debt at this critical stage of life may diminish young adults' ability to achieve economic independence, increase their risk of bankruptcy, and impact their economic and psychological well-being (Atkinson 2010; Dwyer, McCloud, and Hodson 2011, 2012; Houle 2014; Dwyer et al. 2016).

The majority of OECD member countries have unprecedented youth indebtedness levels (Patel, Balmer, and Pleasence 2012; Russell, Whelan, and Maître 2013; Oksanen, Aaltonen, and Rantala 2016). Difficulties entering the professional world (Nagels and Rea 2008), the sustained increase in the unemployment rate of young degree-holders,[4] wage stagnation, the overexposure of young adults to jobs of a precarious nature,[5] flexible contracts and irregular schedules (Hardgrove, McDowell, and Rootham 2015) are core issues that affect youth employability at the international level (ILO 2013). These issues remind us of the uncertainty associated with the transition to adulthood in a context of labor flexibility (Sisto and Fardella 2008; Duarte 2009).

Studies of the indebtedness processes of the young university population have looked at the effect of debt on an individual's trajectory within two distinct temporal periods: during their studies and upon completion. Those who have focused on the effects of debt during the education process have shown that young debtors develop a feeling of great responsibility once they've taken on university debt (Bodvarsson and Walker 2004; Quadlin and Rudel 2015). This feeling of responsibility is shown in their dedication to studying and working. The evidence concerning the credit behavior of the university population shows that there is a strong relationship between the attitudes of students toward indebtedness and their expectations concerning future employment. Using this logic, students would view their debt as a temporary situation that helps them finance a project that is manageable after university graduation due to having increased incomes (Denegri, García, and González 2011).

Nevertheless, other scholars view it as part of a process of self-investment (Evans and Donnelly 2018). Some studies have shown that indebtedness obstructs the participation of young debtors in extra-curricular university activities, thus limiting their social and cultural capital (Quadlin and Rudel 2015), and that taking on too much debt can affect the likelihood of completing a university degree (Dwyer, McCloud, and Hodson 2012; Despard et al. 2016). Therefore, the risk of future problems when dealing with university debt is greater in private and high-cost institutions (Houle 2013).

Those studies focusing on debtors who have graduated from the university system have shown that youths who pay for their studies with credit have less equity and greater financial difficulties than non-debtors. Despard et al. (2016) have observed that young debtors tend to exceed their credit lines and credit card limits more often than those who did not take on university debt. This means that university debtors would experience greater degrees of privation. The effects of debt upon an individual experience can vary widely by the social class the youths belong to (McCabe and Jackson 2016). While for those of the lower and middle classes it is the only way to pay for their desired social mobility, for the privileged classes, access to credit forms only part of the resources available for them (Dwyer, McCloud, and Hodson 2011). Moreover, Seamster and Charron-Chénier (2017) have observed how educational debt is a racialized process. Black households in the United States tend to accumulate larger amounts of student debt relative to whites with little progress in terms of educational attainment and economic returns. For the authors, the student debt model is a contemporary institutional practice that promotes 'predatory inclusion' that is a process by which members of a marginalized group have access to a service from which they have historically been excluded, but under conditions that jeopardize the benefits of access.

In a context of expanding the credit and finance markets as mechanisms of governance, debt can be understood as a tool for controlling and limiting individual behavior. In keeping with the arguments of Doncha Marron (2009) and Mauricio Lazzarato (2011, 2013), debts exercise control upon individuals that extends over time throughout the duration of the debt. The projection of mortgage debt payments upon the future behavior of debtors results in a specific modality of subjectification. The debtor, as individually answerable to the banking system, must confront their debts alone. Their behaviors of consumption, savings, and labor force participation are transformed by the system, making them accountable for their financial commitments (Pérez-Roa 2014). In Lazzarato's words (2011), the primary work of debt consists of creating a guarantor of actions that takes on the costs and risks of a flexible, financialized economy. When the debt appropriates the young and therefore their future as adults, their chances of achieving financial autonomy and being responsible for the goal of independent living are reduced. Taking on debt during youth can mold the life paths of young people, thus accumulating a range of disadvantages as time goes on (Dannefer 2003).

Study details

The data presented in this article form part of the first phase of the 'Odyssey of reaching the end of the month: debt payment strategies of young middle-class families in Santiago and Concepción'[6] project. The National Fund for Scientific and Technological Development (FONDECYT initiation research No. 11150161) provided the funding. This research seeks to analyze the strategies that young middle-class Santiago residents use to deal with their indebtedness. An online survey through SurveyMonkey was conducted in order to characterize the types of indebtedness and credit obligations that young professional Santiago residents have. In this study, we define young professional as individuals between 25 and 35 years of age who hold a post-secondary or university degree, but are not necessarily working. In other words, the term 'professional' refers to the achievement of a tertiary education degree. In procedural terms, the survey was sent to the database using the SurveyMonkey server. It was operational from November 15th through December 30th of 2016. The ethics committee at the Alberto Hurtado University certified the contents of the instrument. We were supported by the consumer and debtor organizations of Santiago as well as the sponsor university database to access the sample. It was also distributed through our website (www.dedeudasypagos.cl) and our Facebook page.

By using this method, we chose a convenient sample under a qualitative paradigm in which the results look for theoretical generalizations and – in this case – exploratory ones, rather than conducting population inferences (Brannen 2005). This fulfills the study's objective of enriching the description of young professional debtors. The final sample included 770 cases from which we selected 542 individuals with an age range of 25–35. These young professional debtors answered the question, 'Are you up to date on your current debt payments?' Those who answered affirmatively were classified as up-to-date on their debts, and those who responded negatively were classified as defaulters (problematic debtors). This segmentation is the focus of the following analysis, as this study aims to describe young professionals according to their default status. There were 319 and 223 cases in the respective categories. The segmented sample composition by debt status is presented in Table 1.[7] It is clear that for both groups the majority is made up of women at an age range of 25–30 years who

Table 1. Characterization of the selected sample by their default status.

		In default		Current	
Variables	Attributes	Frequency	Percentage	Frequency	Percentage
Sex	Men	73	32.74	92	28.84
	Women	150	67.26	227	71.16
	Total	223	100	319	100
Age range	25–30 years old	152	68.16	223	69.91
	31–35 years old	71	31.84	96	30.09
	Total	223	100	319	100
Marital status	Partnered	65	29.15	97	30.41
	Single	109	48.88	160	50.16
	Married	43	19.28	60	18.81
	Divorced	6	2.69	2	0.63
	Total	223	100	319	100
Education level	University degree	178	79.82	249	78.06
	Technical certificate	22	9.87	29	9.09
	Graduate studies	23	10.31	41	12.85
	Total	223	100	319	100

Source: Created by the authors.

followed a course of university studies. The respondents are primarily single, followed by those with a partner (living together or married). Divorced individuals make up a small number of the sample.

The variables used for the analysis primarily refer to the socio-economic characteristics of the survey respondents as well as their employment status (Are you currently working for remuneration? Yes, No), average income in Chilean pesos by group[8] (What was your net income or remuneration level last month? $0–$500,000, $500,001–$1,000,000, $1,000,001–$1,500,000, $1,500,001 or more) and whether or not they have economic dependents. This last variable is complex so four indicators were used to measure economic dependents including the number of children in the home and outside of it and the number of dependents in the home and outside. A debt type variable for analyzing the financial status of the subjects was included. There are four possible categories: bank debt, non-bank debt, educational debt, family or friend debt, and others. The type of overdue debt was also considered for the problematic debtors. We included the number of financial instruments the respondents have (Indicate whether or not you have any of the financial instruments listed below, and how many: debit card, bank credit card, non-bank card, bank credit line), their concern level (Is your indebtedness situation worrying? Yes, No) and a classification that the respondents assign to their debts (Bearing in mind all of your debts, how would you characterize your debt level? excessive, high, moderate, low).

To deepen our analysis, we estimate an index in order to enrich the discussion around assessing the relationship between income and expenses. As stated above, income was measured in ordered intervals, which were then adjusted by the number of dependents in the home affecting respondents' income. A relative growth variable (Rodríguez 2000) was estimated to measure the debts taking into account the number of debts and the number of debts in arrears. This new variable shows a multiplier effect at play between both indicators, where having debts in arrears increases the number of debts owed by respondents. The next step was to calculate a ratio for the relationship between income and debt so we could measure the relative weight of the amount of earned income in relation to the number of dependents over the debt growth relative to the number of delayed debt payments using the following formula:

$$\text{Raw Index Income after Debt}_i = \frac{\frac{\text{Income}_i}{\text{Dependents}_i}}{\text{Debts}_i \times \text{Delay}_i} \quad (1)$$

Then the index was standardized between 0 and 1 for each survey respondent using the following formula as recommended by Márquez (2006):

$$\text{Standardized Index Income After Debt}_i = \frac{\text{Raw Index}_i - \text{Minimum Raw Index}}{\text{Maximum Raw Index} - \text{Minimum Raw Index}} \quad (2)$$

The lowest value of the sample was subtracted from the value of the index for each observation with regards to the maximum and minimum values obtained for each respondent. Therefore, the zero value is indicative of those who have a debt amount equal to or greater than their incomes, so the higher the index value, the greater their economic leeway in terms of debt repayment. This variable was used to classify the subjects into three categories by thirds in order to simplify the results interpretation: debt that is higher than income, income slightly higher than debt, income greater than debt. The first category includes all individuals who have, according to our index, higher incomes adjusted for dependents than debts handicapped by delayed debt payments. The second and third attributes consider respondents who have more debts in arrears compared to income adjusted for dependents. Specifically, the category of income slightly higher than debt includes those individuals who are in a better position than the ones classified in the first category, but they do not have much leeway in their debt repayment compared to respondents in the category of income greater than debt who are in a comfortable situation when handling their debts.

We made a univariate and bivariate descriptive analysis using absolute and relative frequencies to properly characterize respondents. In order to assess the intensity and type of relationship between the two variables, effect-size estimates were used to complement the bivariate analysis in some cases (Levin and Levin 1999), specifically using Cramér's V (φ_c) and Eta^2 (η^2) in accordance with the measurement level of the variables being analyzed.

Results

To deepen the analysis on the debt level of young Chilean professionals, an indicator was designed for observing the relationship between income and debt level of the survey respondents that considers the presence of dependents in the home and overdue debts. Using the ratio between both factors, the respondents were classified into three groups: income less than debts, income slightly higher than debt, and lastly, income greater than debt. These attributes demonstrate the economic instability the survey respondents must deal with. It is important to emphasize that this effort to analytically dive into the problematic indebtedness situation is exploratory since we do not have information from a representative sample of the young Chilean professional population.[9]

Figure 1 summarizes the income after debt index according to age group and default situation of the young respondents and is calculated in accordance with default status. Despite the fact that the subjects have a high education level, once the economic

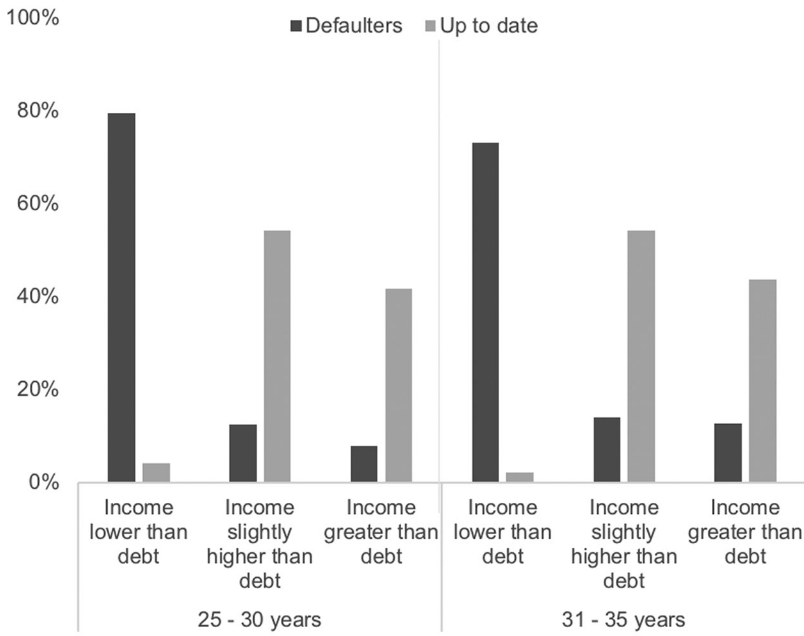

Figure 1. Income and debt relationship by age range and default status.
Note: Calculated by the late payment status of survey respondents. Source: Created by the authors.

dependents are considered and late payments penalties are calculated, those who are in a problematic indebtedness situation have a debt level that is greater than their income compared to current payers ($\varphi_c = 0.77$, $p < 0.001$). This is higher for those individuals between 25 and 30 years than for those between 31 and 35 years. The default proportion is 80% and 73% respectively, and 4% and 2% for up-to-date payers.

When the respondents' socio-economic situations and their relationships with the job market are analyzed, specifically via their job status and the income levels of their primary jobs, important differences relative to their default status can be seen. Most of the youths indicate that they are working, but those with problematic debt levels also have higher unemployment levels in comparison with those who are current on their debts ($\varphi_c =$ 0.21, $p < 0.001$) when they have incomes greater than debt according to the estimated index (Figure 1(a)). Contrarily, for those with debt levels higher than income, it can be seen that there is a greater percentage of current payers without jobs compared to those in default. As shown in Figure 1(b), those individuals current on their debt payments make up a greater proportion than the defaulters in the three segments with the highest incomes (CLP $500,000 or more per month). Contrarily, those with problematic debt have incomes that are primarily concentrated in the first two categories (from no income up to CLP $1,000,000), differences that are at the mid-range ($\varphi_c = 0.25$, $p < 0.001$).

Figure 2 shows the distribution of the debt type according to the responses given for the income to debt relationship index and the default status. The debt type question was formulated as a multiple response question in which the survey respondents could declare having more than one debt type. This is why the total number of cases is greater than the total sample and each default status is represented as 100%. The survey respondents that

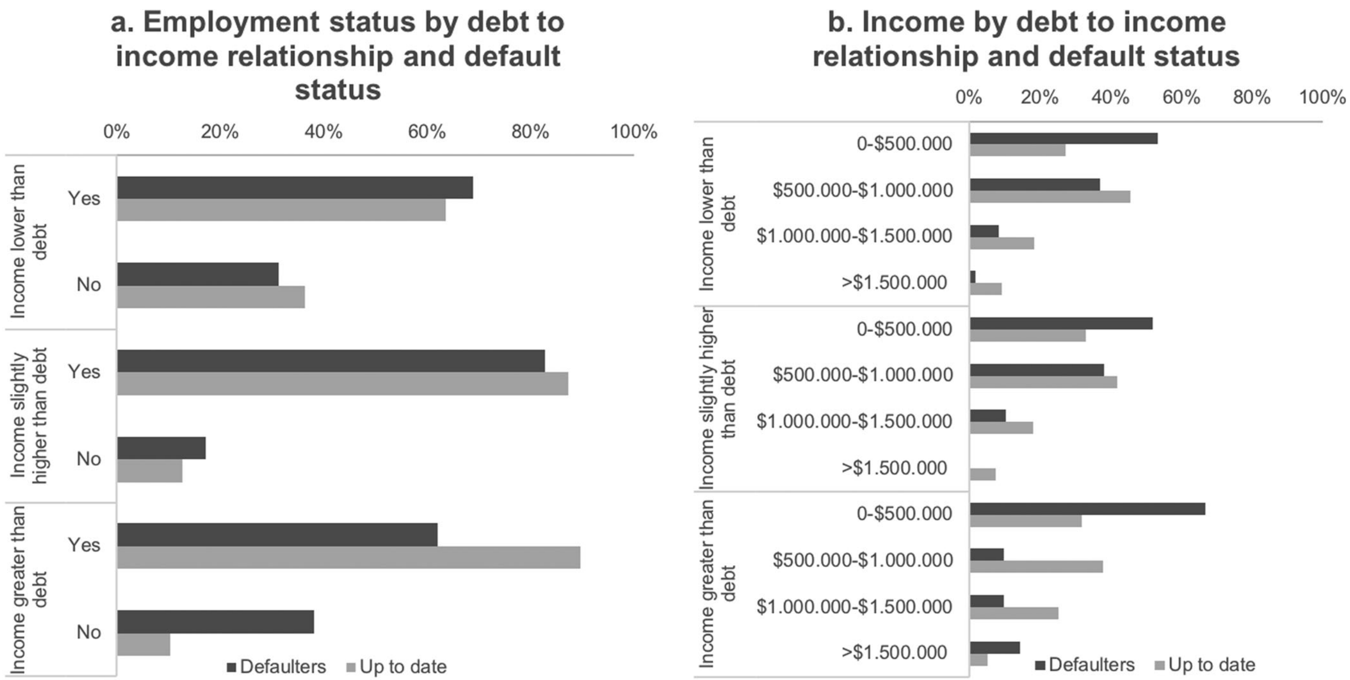

Figure 2. Socio-economic status by debt to income relationship and default status.

Note: This was calculated by the late payment status of the survey respondents. The analysis was done using age ranges that are not presented here, not to complicate the visualization of the data. The employment status in all cases for those who are between 25 and 30 years old was greater than those who are between 31 and 35 for both statuses. The relationship is similar for income except for current payers with debts greater than their income, earning between $1,000,000 and $1,500,000 monthly, and late payers with incomes higher than their debts earning $500,000–$1,000,000 and $1,000,000–$1,500,000, in which the age ratio is 50/50. Source: Created by the authors.

are current on their debts generally have more bank-related debt ($\varphi_c = 0.28$, $p < 0.001$), including both credit cards and loans, which is greater for those who have more debt than income. In the case of those with problematic debt levels, it is mainly a result of education ($\varphi_c = 0.11$, $p = 0.03$) regardless of the relationship between their income and debt. Retail debt is the third debt type relevant to the survey sample ($\varphi_c = 0.11$, $p = 0.08$), showing up at a slightly greater proportion for problematic debtors than unproblematic ones. Although the differences are slight when segmenting the results according to the survey response in the calculated index, it shows that those who are current on their debts and have a debt level higher than their income have more non-bank debt than those who are behind on their payments. Additionally, the relevance of debts from relatives or friends is similar according to the default status of the subjects, although this becomes more significant for the problematic debtors when they have debts higher than the incomes they earn.

The problematic debtors are in this situation because they are behind on their debts. Figure 3 has a breakdown by surveyed debt type that clearly shows educational debt having more relevance for those who have a higher debt level than income. Overdue bank debt is greater for those delayed payers whose incomes are higher than debt.

In addition to this, those with a degree of problematic indebtedness have, on average, a greater number of financial instruments compared to those who are up to date ($\eta^2 = 0.05$, $p < 0.001$). When comparing by means of the income-after-debt index (Table 2), those late payers with incomes lower than their debts have on average a larger number of financial instruments (5), but present a greater standard deviation. The survey respondents that are up to date and have incomes greater than their debts are those who have a lower number of financial instruments on average (3).

Also, the young respondents that have problematic indebtedness have more economic dependents than those who are current on their debts. Having children or other dependents in or outside of the home contributes to delayed payments. This is shown in Figure 4, where regardless of the income-to-debt relationship, the late payers have a greater number of dependents ($\varphi_c = 0.18$, $p < 0.001$) and is higher for those who have a debt level that exceeds their income.

When the perception of debt of the survey respondents is analyzed, the majority of individuals are worried regardless of if they are up to date on their debts or not ($\varphi_c =$ 0.24, $p < 0.001$) as shown in Figure 5(a). As expected, those with problematic indebtedness have a greater degree of concern about their debt than those who are current. The young late payers are the ones who feel more overwhelmed by their indebtedness ($\varphi_c = 0.20$, $p <$ 0.001) and classify it as excessive or high by a significant number of respondents. Very few of them qualify their debt as low. When considering the relationship between income and debt measured in all three categories, when income is higher than debt, the level of concern typically decreases for the respondents.

Discussion

This study aimed to show how the transition to the adult world through debt might precariously affect the socioeconomic conditions of young professionals. To do so, we focused our statistical analysis on characterizing the problematic indebtedness of those youths who have a difficult relationship with the financial system in comparison to those who

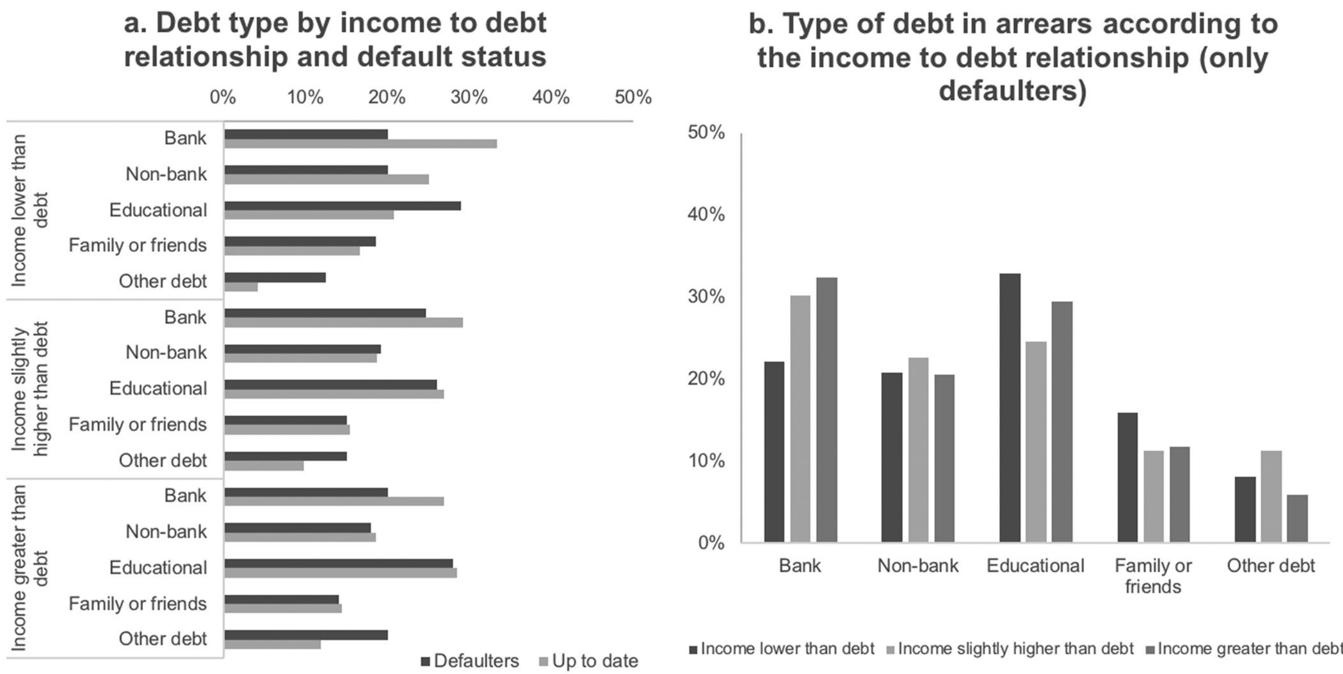

Figure 3. Debt type by income to debt relationship and default status.

Note: Entirely calculated by the late payment status of the survey respondents. The analysis was done using age ranges that are not presented here to not complicate the data visualization. In terms of all types of debt, the proportion of those between the ages of 25 and 30 was greater than those between the ages of 31 and 35 for both statuses, and less for the educational debt of late payers who have incomes higher than their debt, in which the ratio for the age ranges is 50/50. It is the same for the types of overdue debts, with the exception that the late payers have incomes greater than their debts and educational debt in which the ratio for the age ranges is 50/50. Source: Created by the authors.

Table 2. Number of financial instruments by income to debt relationship and default status.

Default status	Income to debt relationship	Average	Standard Dev.	Number of cases
In default	Income less than debts	4.91	3.56	173
	Income slightly higher than debt	4.46	2.40	29
	Income greater than debt	4.59	2.71	21
Current	Income less than debts	3.26	2.42	11
	Income slightly higher than debt	3.59	3.03	173
	Income greater than debt	3.24	2.96	135

Source: Created by the authors.

are up to date on their debts. From there, we looked at their employment status, financial instruments, and dependents or family responsibilities. We decided to explore the variables that can help us understand the economic insecurity young professional debtors in Chile are facing.

The results show that in the selected sample a significant proportion of young professionals are in default. In other words, they are young professional debtors facing financial difficulties that make it hard for them to recover from their debts' despite having completed a tertiary education. Regarding the employment status of our participants, the data shows that young defaulters have greater levels of unemployment compared with those who are up to date. Their incomes are also inferior. While the literature has shown the importance of income when it comes to keeping financial

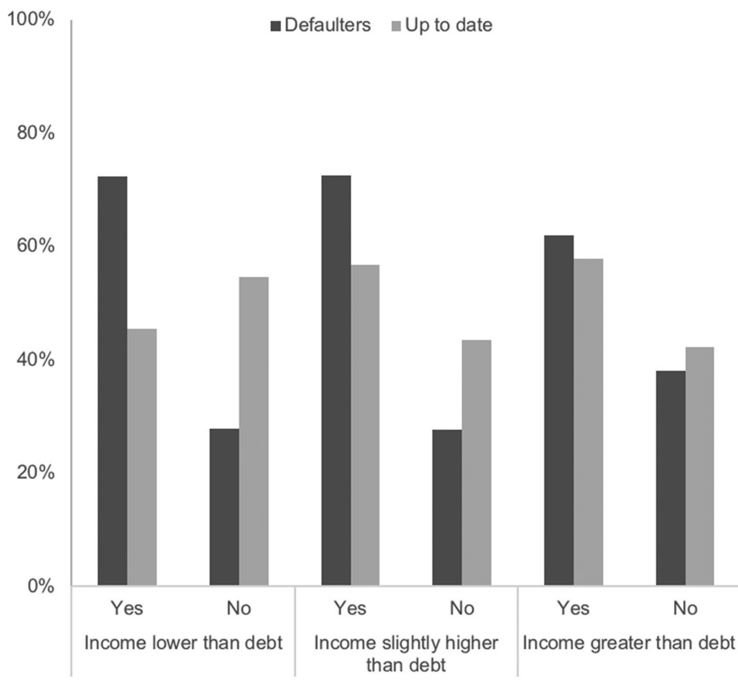

Figure 4. Dependents' presence by income to debt relationship and default status.

Note: This is calculated by the late payment status of the survey respondents. The analysis was done using age ranges that are not presented here to not complicate the data visualization. Whether or not they have dependents, the number of people between 25 and 30 years old was greater than those between 31 and 35 in both cases. Source: Created by the authors.

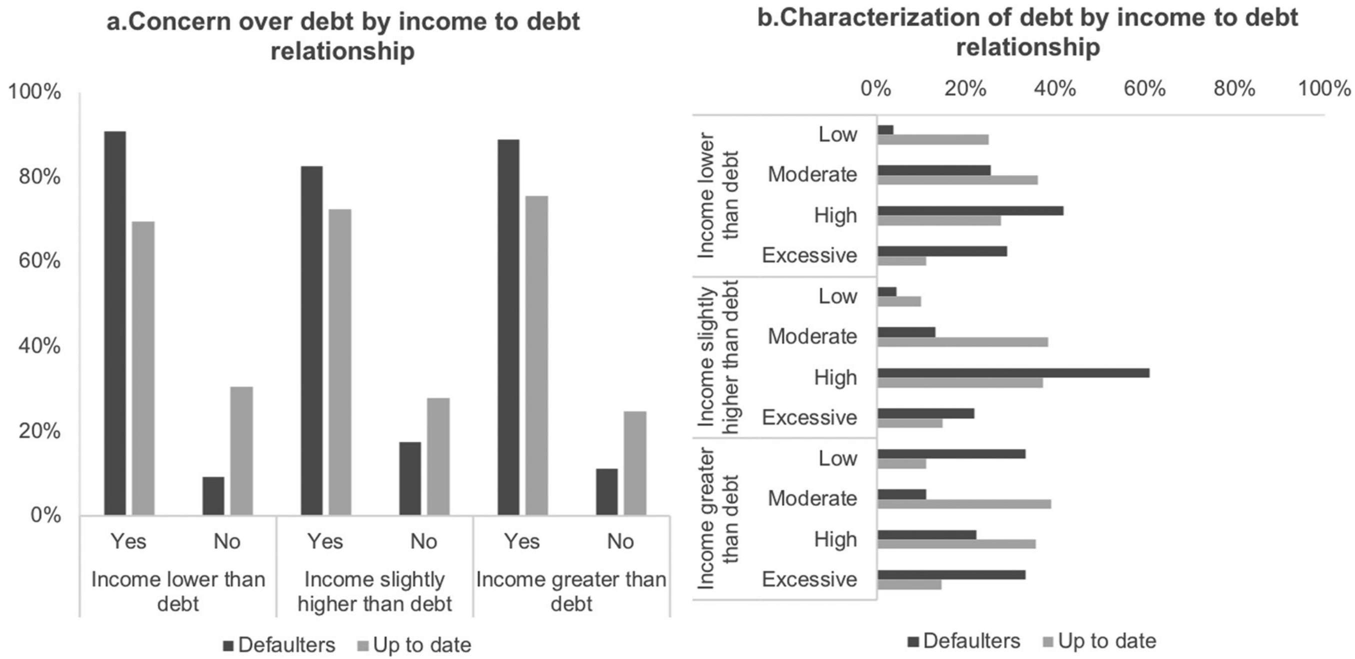

Figure 5. Distress and indebtedness classification by income to debt relationship and default status.

Note: This is calculated by the late payment status of the survey respondents. The analysis was done using age ranges that are not presented here to not complicate the visualization of the data. Regarding debt distress, for those aged 25–30 years, it is higher for both statuses than those aged 31–35. The exception is for late payers with income greater than debt who are not concerned about their debt. Those between 31 and 35 years old exceed the younger category in this regard. In terms of indebtedness description for the up to date payers, the proportion of youths aged 25–30 is greater in comparison with those in the 31–35 years group. The situation is similar for the defaulters except for those who have incomes slightly greater than their debts and believe that they have a high level of indebtedness, whereas those who have incomes greater than their debt and qualify their indebtedness as low, moderate or excessive, the age relationship is reversed. Source: Created by the authors.

commitments (Despard et al. 2016; Oksanen, Aaltonen, and Rantala 2016), in general human capital theories claim that salaries should increase as a function of the debtors' education level. However, our data showed that this relationship is sensitive to the higher education financing modality employed. Indeed, the results indicate that repayment difficulties are concentrated among young professionals aged 25–35 with a high level of education debt. These results could be explained by the widespread use of the higher education credit system (CAE) for this generation of young professional Chileans.

Created in 2005, CAE has been the most used student credit to access tertiary education. According to data from Fundación Sol (2018) as of December 2017, 376,811 people had paid back the CAE, either dropouts or graduates. In the case of graduates, the current default rate is 30.3%, equivalent to 87,998 people. Also, Fundación Sol observed that the highest default rate is found in Santiago, and that these defaulters have almost double the multidimensional poverty status, triple the poverty measured by incomes, and half the household autonomous income than the ten city districts with the lowest default rates. In other words, the higher the default, the greater the poverty and the lower the income (Krememan and Páez 2018, 33–37). In this sense, the data from our work showed that educational debt is the type of debt with the greatest relevance among those who have a debt level greater than income. Moreover, our results seem to question the assumption that borrowing to access higher education is a measurable economic investment in the future profitability bestowed by a diploma.

Another analytical possibility is supposing that the politicization of the demands made by educational debtors has led the young debtors toward a greater propensity and a more demanding position regarding not paying their debts back in full (Stout 2016). In this sense, debt politicization, in the logic of re-politicization proposed by Wilson and Ebert (2013) can be seen as a strategy that exposes the common bases of the shared experience of educational debt, which can integrate debtors into new alliances. In Chile, this analytical perspective would be interesting to explore given the force of the student movement in 2011 and the prevalence that the educational debtors' organization have had in terms of building the student protest movement (Pérez-Roa 2014).

Our results show that defaulters have more economic dependents than those who are current on their debts. As the international evidence has shown (Lewin-Epstein and Semyonov 2016; Oksanen, Aaltonen, and Rantala 2016), financial burdens can hinder debt repayment. Those who can handle their debts tend not to have economic dependents (Despard et al. 2016). We understand economic dependents as children or others (partners/parents) residing in or out of the home. This is because of the importance of intergenerational economic support in Chile. The Chilean State has historically tended to delegate the responsibility for protection and care to the family (Yañez 2016), which is why it is important to observe these dependencies in wider terms. The financial fragility of those who provide economic support can spread the insecurity throughout a wider network of people (Pérez and Donoso 2018). From the point of view of Lazzarato (2011), this 'transfer' of responsibilities from the State to individuals and their families can be understood as a government technique that seeks to transfer social risks to the individual by producing a subjectivity that makes individuals responsible for their financial actions.

Lastly, concerning more subjective variables, all participating young professional debtors feel that their debts are a cause for concern. Clearly, the greatest degree of concern is found among those late payers who feel overwhelmed by their debts, since they also are those with the greatest concentration of low incomes. However, in a context of precarious work societies (Wilson and Ebert 2013) where work does not seem to ensure decent levels of income, individual autonomy or the right work-life balance, and wherein social protection systems have been dismantled, the concern around the issue of debt is a massive one. We explore these economic pressures further in the qualitative part of this study. The results show how these young debtors face their economic commitments with great uncertainty. The young participants in this study know that they have to face their own debt problems, so their payment strategies are conditioned on their ability to earn an income. For this reason, they double their workdays, create new ways of generating income and savings, devoting a large part of their time to strategies that enable them to repay their debts (Pérez-Roa 2019).

Limitations

The results of this study enable us to characterize young professionals with problematic indebtedness in Chile. As with any research, we are subject to the limitations of the research design that could lead to measurement errors. The main problem we dealt with was the intentional sampling method used to capture respondents, which is useful for exploratory studies. Since participation was voluntary, we may have a self-selection bias, especially considering the methods we used to attract our sample (focused on youths with Internet access and various types of debt) and their motivations for participating. A second limitation is how some of the key indicators of the study were measured. This is especially problematic when we infer that the default status of the participants through the question 'Are you up to date on your current debt payments?' This might be conditioned by social desirability, i.e. some respondents may not have been perfectly truthful in their responses due to potentially feeling judged. One possible solution to this problem is to measure the phenomenon with a range of questions in order to obtain greater consistency in the responses. Lastly, certain variables were not included in the instrument that, according to the revised literature, could be interesting to address in order to have a deeper characterization of the problematic debtors. These could be indicators such as social mobility, family support, and employment contract types for those currently working, and others.

Conclusion

Our study aimed to explore how indebtedness increases the economic insecurity of those youths who are professional and have obtained a formal job and cannot properly fulfill their credit commitments. For this purpose, we analyzed the results of a survey developed to characterize the types of indebtedness and credit obligations of young people with post-secondary studies and debtors between 25 and 35 years of age in Santiago de Chile. We described the situation of young debtors by looking at the relationship between income and debt, their outstanding financial instruments, their economic dependents, and the level of concern about their financial commitments. Our data showed that defaulters had a greater number of financial instruments, economic dependents, and are more afflicted by their debts than those debtors who were current on their payments.

The high level of young people in arrears earning less than the sum total of their debts and the large proportion of those who carry educational debts lets us debate the assumption that all educational debt is an investment. Although it was not the objective of this study to delve deeper into the specific weight of the educational debt in young professionals' income, our data do allow us to say that the unfavorable conditions of post-secondary lending (years of payment, interest rates, state guarantees, etc.) and the low salaries received by the participants in this study – particularly the youngest ones – make it difficult to carry their debt. In addition, the high levels of credit card holders and the consequent debt lead us to assume that young debtors have levels of indebtedness that will be sustained over time.

The young adults participating in our study are invisible to public policy for the most part, as they represent the 'elite' of Chilean society: young people with a high educational level, many of them with stable jobs and salaries that exceed the national average. However, the data provided by our work allows us to account for the economic fragility of accessing the adult world by carrying debt, particularly for those young people who had to go into debt to access higher education. They are young people 'included' in the system through an institutional practice that can be predatory (Seamster and Charron-Chénier 2017), particularly for those who have been historically excluded from these services and by doing so through debt then jeopardize the very benefits of access. Thus, we believe it would be interesting to analyze how this financing of public services (education, health, pensions) can deepen existing socio-economic inequalities.

Notes

1. In 2015, during Michelle Bachelet's government, Chile introduced a policy of free access to higher education for 50 percent of the population from low-income families. Reference: www.gratuidad.cl
2. Go to: https://portal.ingresa.cl/estadisticas-y-estudios/estadisticas/
3. For more information, the law can be viewed at https://www.superir.gob.cl/ley-n-20-720/
4. The youth unemployment rate in Chile went from 16% in 2015 to 17.1% according to the ILO. Source: www.ilo.org
5. According to the National Statistics Institute, 417.98 thousand people in Chile have unstable work. Source: www.ine.cl
6. When this study was conducted, the survey was given only to young professionals living in Santiago.
7. There were no statistically significant results when associating participants' default status with their socio-demographic characteristics. Despite this, the literature has shown differences in young people's debt situations and characteristics such as gender and race. We did not gather information on participants' racial classification.
8. One USD $\approx$ 600 Chilean pesos.
9. There is more detailed information in the various study sections.

Disclosure statement

No potential conflict of interest was reported by the authors.

Funding

This work was supported by the Comisión Nacional de Investigación Científica y Tecnológica de Chile (CONICYT) under Fondecyt de iniciación n° 11150161: 'La odisea de llegar a fin de mes: estrategias de pago de deudas en familias jóvenes de clase media en Santiago y Concepción'. Fondo de Fomento al Desarrollo Científico y Tecnológico.

ORCID

M. Constanza Ayala http://orcid.org/0000-0003-4478-1593

References

Antonucci, L. 2018. "Not All Experiences of Precarious Work Lead to Precarity: The Case Study of Young People at University and their Welfare Mixes." *Journal of Youth Studies* 21 (7): 888–904. doi:10.1080/13676261.2017.1421749.

Araujo, K., and D. Martuccelli. 2014. "Beyond Institutional Individualism: Agentic Individualism and the Individuation Process in Chilean Society." *Current Sociology* 62 (1): 24–40. doi:10.1177/0011392113512496.

Atkinson, A. 2010. "Race, Educational Loans, and Bankruptcy." *Michigan Journal of Race and Law* 16: 1–31.

Banco Central de Chile. 2017. *Encuesta Financiera de Hogares 2017*. Santiago: BC Chile. https://www.efhweb.cl.

Bernasconi, A., and F. Rojas. 2004. *Informe sobre la educación superior 1980–2003*. Santiago: Editorial Universitaria.

Bodvarsson, O. B., and R. L. Walker. 2004. "Do Parental Cash Transfers Weaken Performance in College?" *Economics of Education Review* 23: 483–495. doi:10.1016/j.econedurev.2003.11.009.

Brannen, J. 2005. "Mixing Methods: The Entry of Qualitative and Quantitative Approaches into the Research Process." *International Journal of Social Research Methodology* 8 (3): 173–184. doi:10.1080/13645570500154642.

Castillo, J., and G. Cabezas. 2010. "Caracterización de jóvenes primera generación en educación superior. Nuevas trayectorias hacia la equidad educativa." *Revista Calidad en la Educación* 32: 44–76.

Dannefer, D. 2003. "Cumulative Advantage/Disadvantage and the Life Course: Cross-Fertilizing Age and Social Science Theory." *The Journals of Gerontology Series B: Psychological Sciences and Social Sciences* 58 (6): S327–S337. doi:10.1093/geronb/58.6.S327.

Denegri, M., C. García, and N. González. 2011. "Definición de bienestar subjetivo en adultos jóvenes profesionales chilenos. Un estudio con redes semánticas naturales." *CES Psicología* 8 (1): 77–97.

Despard, M. R., D. Perantie, S. Taylor, M. Grinstein-Weiss, T. Friedline, and R. Raghavan. 2016. "Student Debt and Hardship: Evidence from a Large Sample of Low- and Moderate-Income Households." *Children and Youth Services Review* 70: 8–18. doi:10.1016/j.childyouth.2016.09.001.

Duarte, C. 2009. "Sobre los que no, son aunque sean: éxito como exclusión de jóvenes empobrecidos en contextos capitalistas." *Última Década* 17 (30): 11–39.

Dwyer, R. E., L. McCloud, and R. Hodson. 2011. "Youth Debt, Mastery, and Self-Esteem: Class-Stratified Effects of Indebtedness on Self-Concept." *Social Science Research* 40 (3): 727–741. doi:10.1016/j.ssresearch.2011.02.001.

Dwyer, R. E., L. McCloud, and R. Hodson. 2012. "Debt and Graduation from American Universities." *Social Forces* 90 (4): 1133–1155. doi:10.1093/sf/sos072.

Dwyer, R., L. Neilson, M. Nau, and R. Hodson. 2016. "Mortgage Worries: Young Adults and the US Housing Crisis." *Socio-Economic Review* 14 (3): 1–23. doi:10.1093/ser/mwv018.

Elder, G. H. 1994. "Time, Human Agency, and Social Change: Perspectives on the Life Course." *Social Psychology Quarterly* 57: 4–15. doi:10.2307/2786971.

Espinoza, V., E. Barozet, and M. L. Méndez. 2013. "Estratificación y movilidad social bajo un modelo neoliberal: El caso de Chile." *Lavboratorio* 25: 169–191.

Evans, C., and M. Donnelly. 2018. "Deterred by Debt? Young People, Schools and the Escalating Cost of UK Higher Education." *Journal of Youth Studies* 21 (9): 1267–1282. doi:10.1080/13676261.2018.1461815.

Garretón, M. A. 2012. *Neoliberalismo corregido y progresismo limitado. Los gobiernos de la Concertación en Chile, 1990–2010*. Santiago: Arcis/Clacso.

González, F. 2015. "Where are the Consumers?" *Cultural Studies* 29 (5-6): 781–806. doi:10.1080/09502386.2015.1017144.

González, F. 2017. "Privatized Keynesianism or Conspicuous Consumption? Status Anxiety and the Financialization of Consumption in Chile" MPIfG Discussion Paper 17/3.

Guzmán, V., E. Barozet, and M. L. Méndez. 2017. "Legitimación y crítica a la desigualdad: una aproximación pragmática." *Convergencia Revista De Ciencias Sociales* 73: 87–112. doi:10.29101/crcs.v0i73.4239.

Hardgrove, A., L. McDowell, and E. Rootham. 2015. "Precarious Lives, Precarious Labour: Family Support and Young Men's Transitions to Work in the UK." *Journal of Youth Studies* 18 (8): 1057–1076. doi:10.1080/13676261.2015.1020933.

Houle, J. N. 2013. "Disparities in Debt: Parents' Socioeconomic Resources and Young Adult Student Loan Debt." *Sociology of Education* 87 (1): 53–69. doi:10.1177/0038040713512213.

Houle, J. N. 2014. "A Generation Indebted: Young Adult Debt across Three Cohorts." *Social Problems* 61 (3): 448–465. doi:10.1525/sp.2014.12110.

INJUV. 2013. Octava encuesta de la Juventud. http://www.injuv.gob.cl/storage/docs/Libro_Octava_Encuesta_Nacional_de_Juventud.pdf.

International Labour Office (ILO). 2013. *Global Employment Trends for Youth 2013: A Generation at Risk*. ILO Publications.

Krememan, M., and A. Páez. 2018. *Endeudar para gobernar y mercantilizar: El caso del CAE*. Santiago: Fundación Sol.

Kremerman, M., and A. Páez. 2017. *Endeudar para gobernar y mercantilizar: El caso del CAE*. Santiago de Chile: Fundación Sol.

Lachance, M. J., P. Beaudoin, and J. Robitaille. 2005. "Les jeunes adultes québécois et le crédit." *Enfance, Familles, Générations* 2: 114–131. doi:10.7202/010918ar.

Lazzarato, M. 2011. *La fabrique de l'homme endetté: essai sur la condition néolibérale*. Paris: Amsterdam.

Lazzarato, M. 2013. *Il Governo Dell'Uomo Indebitato. Saggio Sulla Condizione Neoliberista*. Roma: Derive Approdi.

Levin, J., and W. C. Levin. 1999. *Fundamentos de estadística en la investigación social*. México: Altaomega.

Lewin-Epstein, N., and M. Semyonov. 2016. "Household Debt in Midlife and Old Age: A Multinational Study." *International Journal of Comparative Sociology* 57 (3): 151–172. doi:10.1177/0020715216653798.

Marambio, A. 2018. "Narratives of Social Mobility in the Post-Industrial Working Class and the Use of Credit in Chilean Households." *Revue de la Regulation* 22. doi:10.4000/regulation.12512.

Márquez, R. 2006. "El diseño de índices sintéticos a partir de datos secundarios: Metodologías y estrategias para el análisis social." In *Metodologías de investigación social: Introducción a los oficios*, edited by M. Canales, 115–140. Santiago: LOM Ediciones.

Marron, D. 2009. *Consumer Credit in the United States: A Sociological Perspective from the 19th Century to the Present*. 2009. New York, NY: Palgrave Macmillan.

McCabe, J., and B. A. Jackson. 2016. "Pathways to Financing College: Race and Class in Students' Narratives of Paying for School." *Social Currents* 3 (4): 367–385. doi:10.1177/2329496516636404.

Meller, P. 2011. *Universitarios ¡el problema no es el lucro, es el mercado!* Santiago: Uqbar Editores.

Nagels, C., and A. Rea. 2008. "Jeunes à perpète … Génération à problèmes ou problème de générations?" *Diversité* 154: 208–215.

Oksanen, A., M. Aaltonen, and K. Rantala. 2016. "Debt Problems and Life Transitions: A Register-Based Panel Study of Finnish Young People." *Journal of Youth Studies* 19 (9): 1184–1203. doi:10.1080/13676261.2016.1145638.

Patel, A., N. J. Balmer, and P. Pleasence. 2012. "Debt and Disadvantage: The Experience of Unmanageable Debt and Financial Difficulty in England and Wales." *International Journal of Consumer Studies* 36 (5): 556–565. doi:10.1111/j.1470-6431.2012.01121.x.

Pérez, L, and J. 2018. 2018. "Redes de intercambio y de pago de deudas en parejas jóvenes endeudadas de Santiago de Chile." *Revista Intervención* 8 (2): 23–30.

Pérez-Roa, L. 2014. "El peso real de la deuda de estudios: La problemática de los jóvenes deudores del sistema de financiamiento universitario de la Corfo pregrado en Santiago de Chile." *Education Policy Analysis Archives* 22: 1–43. doi:10.14507/epaa.v22n75.2014.

Pérez-Roa, L. 2018. "Gobernados por las deudas. El caso de los jóvenes adultos deudores de los créditos Corfo de Santiago de Chile." *Cuad. trab. soc* 31 (2): 455–466. doi:10.5209/CUTS.54593.

Pérez-Roa, L. 2019. "Emprendedores por necesidad: el emprendimiento como estrategia de pago de deudas en un contexto precariedad laboral." *Aposta Revista de Ciencias Sociales*. In press.

Quadlin, N. Y., and D. Rudel. 2015. "Responsibility or Liability? Student Loan Debt and Time Use in College." *Social Forces* 94 (2): 589–614. doi:10.1093/sf/sov053.

Raijas, A., A. R. Lehtinen, and J. Leskinen. 2010. "Over-Indebtedness in the Finnish Consumer Society." *Journal of Consumer Policy* 33 (3): 209–223. doi:10.1007/s10603-010-9131-8.

Robson, J., J. D. Farquhar, and C. Hindle. 2017. "Working Up a Debt: Students as Vulnerable Consumers." *Journal of Marketing for Higher Education* 27 (2): 274–289. doi:10.1080/08841241.2017.1391922.

Rodríguez, M. J. 2000. *Modelos socio-demográficos*. Alicante: Universidad de Alicante.

Ruiz, C., and G. Boccardo. 2015. *Los chilenos bajo el neoliberalismo. Clases y conflicto social*. Santiago de Chile: Nodo XXI.

Russell, H., C. T. Whelan, and B. Maître. 2013. "Economic Vulnerability and Severity of Debt Problems: An Analysis of the Irish EU-SILC 2008." *European Sociological Review* 29: 695–706. doi:10.1093/esr/jcs048.

SBFI (Superintendencia de Bancos e Instituciones Financieras). 2017. "Informe de endeudamiento en Chile 2017".

Seamster, L., and R. Charron-Chénier. 2017. "Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap." *Social Currents* 4 (3): 199–207. doi:10.1177/2329496516686620.

Servicio de Información sobre Educación Superior (SIES). 2017. *Acceso a la educación superior en Chile*. Chile: Ministerio de Educación.

Sisto, V., and C. Fardella. 2008. "Narrándose en flexibilidad. Un análisis narrativo discursivo de la identidad en tiempos flexibilidad laboral." *Revista de Psicología* 17 (2): 59–80.

Stout, S. 2016. "Indebted: Disciplining the Moral Valence of Mortgage Debt Online." *Cultural Anthropology* 31 (1): 82–106.

Urzúa, S. 2012. "La rentabilidad de la educación superior en Chile: revisión de las bases de 30 años de políticas públicas." *Estudios Públicos* 125: 1–52.

Wilson, S., and N. Ebert. 2013. "Precarious Work: Economic, Sociological and Political Perspectives." *The Economic and Labour Relations Review* 24 (3): 263–278. doi:10.1177/1035304613500434.

Yañez, J. C. 2016. "¿El estado versus la familia? Dos actores en la constitución de las políticas sociales en Chile, 1900–1950." *Historia* 396 (2): 431–463.