



Social protection systems

in **Latin America
and the Caribbean**

Mexico

**Enrique Valencia Lomeli
David Foust Rodríguez
Darcy Tetreault Weber**



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Foreword

Simone Cecchini
Claudia Robles

This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing of the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Given that, in 2011, 174 million Latin Americans were living in poverty —73 million of which in extreme poverty— and that the region continues being characterized by an extremely unequal income distribution (ECLAC, 2012), the case studies place particular emphasis on the inclusion of the poor and vulnerable population into social protection systems, as well as on the distributional impact of social protection policies.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. While social protection can be geared to meeting the specific needs of certain population groups —including people living in poverty or extreme poverty and highly vulnerable groups such as indigenous peoples—, it must be available to all citizens. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population, which are laid out in a series of national and international legal instruments, such as the United Nations' 1948 Universal Declaration of Human Rights or the 1966 International Covenant on Economic, Social and Cultural Rights (ICESCR). These normative instruments recognize the rights to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

The responsibility of guaranteeing such rights lies primarily with the State, which has to play a leading role in social protection —for it to be seen as a right and not a privilege—, in collaboration with three other major stakeholders: families, the market and social and community organizations. Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of developing countries' efforts to establish these guarantees, by implementing various types of transfers, including conditional cash

transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions (Cecchini and Martínez, 2011).

Social protection is central to social policy but is distinctive in terms of the social problems it addresses. Consequently, it does not cover all the areas of social policy, but rather it is one of its components, together with sectoral policies —such as health, education or housing— and social promotion policies —such as training, labour intermediation, promotion of production, financing and technical assistance to micro— and small enterprises. While sectoral policies are concerned with the delivery of social services that aim at enhancing human development, and promotion policies with capacity building for the improvement of people’s autonomous income generation, social protection aims at providing a basic level of economic and social welfare to all members of society. In particular, social protection should ensure a level of welfare sufficient to maintain a minimum quality of life for people’s development; facilitate access to social services; and secure decent work (Cecchini and Martínez, 2011).

Accordingly, the national case studies characterize two major components of social protection systems —non-contributory (traditionally known as “social assistance”, which can include both universal and targeted measures) and contributory social protection (or “social security”). The case studies also discuss employment policies as well as social sectors such as education, health and housing, as their comprehension is needed to understand the challenges for people’s access to those sectors in each country.

Furthermore, the case studies include a brief overview of socio-economic and development trends, with a particular focus on poverty and inequality. At this regard, we wish to note that the statistics presented in the case studies —be they on poverty, inequality, employment or social expenditure— do not necessarily correspond to official data validated by the Economic Commission for Latin America and the Caribbean (ECLAC).

I. Introduction: Mexican social protection institutions seen through the lenses of rights¹

In recent years, Mexico has implemented several programmes that seek to improve the living conditions of the poorest and include them in the existing health, education and pensions systems, or to create new subsystems for them. Some progress can thus be identified in advancing social rights through the policies that have been implemented. However, the construction of a comprehensive system of social protection is still incomplete.

Before entering into a detailed discussion of Mexico's social policies, it is relevant to provide some background on the rights and social guarantees that have been consecrated in the legal institutions of the country.

In the first place, the Political Constitution of the United Mexican States includes several articles related to social rights, although these are not explicitly mentioned as such. The Constitution was officially ratified in 1917, although the most relevant reforms to social rights were not introduced until the 1970s. The latest innovations were introduced in 2011. The rights that are currently recognized are the rights to equality and non-discrimination, to health, to education, to housing, to work—including earning a sufficient wage to fulfil a family's necessities—, to an adequate environment for human development and to food. Since 2001, the Constitution also recognizes the principles of the international system of human rights—universality, interdependence, indivisibility and progressivity— and establishes that the international human rights treaties that are signed by the Mexican State have a status of constitutional norm.

Although no official recognition has been granted to the right to a universal system of social security and to an adequate standard of living within the Constitution, there are several references to social-security institutions for private workers—under the Social Insurance Law—and for public workers. Social security in Mexico comprises health insurance, retirement and old age pensions, and insurances for accidents at work and disability. These have been included in specific legislation, contrary to the case of unemployment insurance. Hence, social security is defined at the Constitutional level through the labour status of persons and is segmented among private and public workers.

The recognition of constitutional rights has not always preceded the creation of social institutions in the country. In fact, there are various cases where the contrary is true. As a result, the

¹ This article is based on Valencia, Foust and Tetreault (2012).

increasing recognition of rights by the Constitution (Carbonell, 2005) has not necessarily stemmed from debate on their implications for social policy or the conditions under which they might be enforceable (CONEVAL, 2008, p.94).

Different legislation has been approved to deal with different policy sectors. During the 1940s, laws ensuring the right to education, and later, to social security, were passed, giving rise to the Mexican Social Security System (*Instituto Mexicano de Seguridad Social*, IMSS). During the 1960s, the Social Security and Social Services Institute for State Workers (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, ISSSTE) was created. During the 1980s, special legislation was created in the areas of health and housing. In the 1990s, reforms were passed concerning social security and the ISSSTE; these included the introduction of individual capitalization accounts in the pension system. With regards to the health system, Social Insurance (*Seguro Popular*) was implemented. More recently, during the past decade, the country introduced specific legislation on the social rights of children, persons with disability and the elderly.

A landmark in the recent history of social-policy formation in Mexico was the promulgation in January 2004 of the General Law of Social Development (*Ley General de Desarrollo Social*, LGDS), which seeks to guarantee the social rights consecrated in the Constitution. This law defines social development rights, including education, health, food, housing, a healthy environment, work, social security and all issues related to non-discrimination. Furthermore, it defines, at least partially, some criteria for the design of social policies. Thus, for example, it states that social spending shall not decrease from one year to the next. Also, the federal government is obliged to make public the Rules of Operation of the social development programmes that are included in the federal budget. Furthermore, the LGDS gave rise to the creation of the National Council for the Evaluation of Social Development Policy (*Consejo Nacional de Evaluación de la Política de Desarrollo Social*, CONEVAL) and put it in charge of defining and measuring multidimensional poverty and evaluating social development policies. Finally, the LGDS gave birth to the National Commission for Social Development (*Comisión Nacional de Desarrollo Social*), which coordinates programmes, actions and disbursements for social development.

Although the LGDS represents a major step forward, it has been subject to criticism (Boltvinik, 2006; Ochoa León, 2006; CONEVAL, 2008); for example, it does not specify the meaning of key concepts such as ‘social development’ and ‘social spending’, nor does it define the policy implications of recognizing the social rights that it addresses.

The 1983 Planning Law, amended in 2002 and 2003, provides guidelines for implementing the principles and rights guaranteed in the Constitution. It establishes that planning activities must guarantee individual, social and political rights in such as was as to promote equality, attention to the necessities of the general population and improvement in the quality of life. It also establishes the legal basis for the National Planning System (*Sistema Nacional de Planeación*) and the imperative to design a national development plan every six years. Nevertheless, the definition of rights is on such an abstract level that it leads to ambiguity regarding the articulation of constitutional criteria, development strategies, economic resources, mechanisms for reaching goals, responsibilities and evaluation procedures.

In accordance with the Planning Law, President Felipe Calderón’s administration produced the National Development Plan 2007-2012, as well as a series of sector-specific plans related to social rights. The national plan establishes sustainable human development as the guiding principle for defining the country’s public policy. Within these plans, poverty reduction figures prominently (Presidencia de la República, 2007, p.23). Social rights are mentioned frequently, however, as with other official documentation, no clear strategies or objectives are specified for guaranteeing them.

II. Mexico: main economic and social indicators

Structural adjustment programmes were implemented in Mexico in the aftermath of the 1982 crisis. The economy was liberalized, State companies were privatized and the country opened its doors to foreign direct investment. Free trade agreements were also promoted and signed with over 40 countries, including the North American Free Trade Agreement (NAFTA), as well as agreements with the European Union and Japan. Nevertheless, over the past 30 years Mexico has consolidated its connection to and dependence on the economy of the United States of America, which receives over 80% of Mexican exports (Presidencia de la República, 2011).

From a model based on agriculture exports, during the course of the twentieth century the Mexican economy was gradually transformed into one based on industrial exports, currently representing more than 80% of the country's international trade. Cars and electrical equipment are among the most important manufactured products. While oil exports only represent about 10% of total exports, they are important insofar as they provide almost a quarter of the public sector's revenue, in the context of failed fiscal reforms and weak tax collection. Even though agriculture exports—for example, beer and spirits (tequila), fruits, vegetables and livestock—have increased substantially over the past few years, imports, particularly of basic grains, have increased at an even higher rate, resulting in mounting levels of food dependency and a growing agricultural trade deficit.

The liberalization of the financial sector began in the late 1980s. Banks were re-privatized and capital accounts were opened to inbound short and long-term flows. The government kept control over the exchange-rate system to prevent inflation rates from rising and to attract short-term speculative investment. These measures led to an excessive entrance of short-term capital inflows, setting the stage for the financial crisis of 1994-1995. As part of the measures that were implemented to rescue the Mexican economy, authorities further liberalized financial markets.

All in all, government intervention in the economy has decreased considerably and emphasis has been placed on controlling inflation and the public deficit. As such, inflation has remained stable at around 4% during the last decade (2000-2010). The public sector has incurred marginal deficits during the first part of the decade (2000-2005) and then surpluses ranging from 0.01% to 0.11% of GDP between 2006 and 2008. Hence, public spending has been procyclical, giving priority to balancing the budget (Cortés, 2011), as mandated by the Law of Fiscal Responsibility. This tendency notwithstanding, between 2009 and 2010, in the context of the recent financial crisis, the public deficit was allowed to fluctuate between -2.3% and -2.8% of GDP.

Between 1982 and 2008, GDP grew at less than 2%. Between 2001 and 2009, the growth rate was even slower: 0.3% (ECLAC, 2010a). This can be explained in part by external shocks, including the recession that began in 2001, after the events of September 11th. The 2008 financial crisis hit Mexico particularly hard, revealing its vulnerability to external shocks and its high economic dependence on the USA. Likewise, the Mexican economy has been severely affected by rising food prices, declining real wages, rising unemployment and increasing poverty rates.²

The wage policy has been kept at a conservative level in order to attract external and internal investors, and to control inflation. The average minimum wage declined by 77% between 1976 and 2001 (Arroyo-Picard, 2003) and remained stable between 2001 and 2008. In the formal sector, average wages increased in real terms by 13.6% during this period.³ It should be kept in mind, however, that only about one third of the economically active population has formal employment, with access to work-related social security for healthcare.⁴ Furthermore, inequality has remained high in Mexico. According to Cortés (2011), the Gini coefficient hovered at around 0.50 between 1994 and 2010. The anti-poverty programme *Oportunidades* (see section IV) has helped to improve income distribution slightly by raising incomes among the poorest households (see table 1). However, according to Cortés' calculations, variations in income distribution have not been statistically relevant.

The incidence of poverty has also remained high, especially for an upper-middle-income country like Mexico. According to the CONEVAL, income poverty only decreased by 1.8 percentage points between 2000 and 2010. It gradually decreased between 2000 and 2006, but as a result of the crisis, it jumped up 8.8 percentage points between 2006 and 2010. Since 2008, the cost of CONEVAL's basic food basket has risen by 9.4%, which is greater than overall inflation (6%) during the same period. In general, income poverty has been very volatile, following fluctuations in the economy, it has decreased slightly during times of moderate growth (1992-1994, 1996-2006) and it has increased dramatically during crises (1994-1996; 2006-2010). Income poverty decreased by only 1.8 percentage points between 1992 and 2010, which in absolute terms translates into an increase of close to 12 million people living in poverty. Consequently, more than half of the national population has remained below the poverty line (see table 2).

TABLE 1
PARTICIPATION IN TOTAL INCOME BY INCOME DECILES, 1977-2010
(Percentages)

Deciles	1977	1984	1989	1992	1994	1996	1998	2000	2002	2004	2005	2006	2008	2010
I	10	1.4	1.1	1.0	1.0	1.1	0.9	1.1	1.3	1.2	1.1	1.4	1.2	1.2
II	2.0	2.5	2.3	2.1	2.1	2.3	2.0	2.1	2.4	2.6	2.5	2.6	2.4	2.7
III	2.9	3.6	3.3	3.1	3.0	3.2	3.0	3.1	3.4	3.6	3.4	3.6	3.4	3.7
IV	4.0	4.6	4.4	4.0	3.9	4.1	4.0	4.1	4.4	4.5	4.4	4.5	4.4	4.7
V	5.2	5.8	5.5	5.1	4.9	5.2	5.2	5.2	5.5	5.6	5.6	5.6	5.5	5.8
VI	6.6	7.3	6.7	6.3	6.2	6.5	6.5	6.6	6.8	6.9	6.9	6.9	6.9	7.1
VII	8.5	9.2	8.5	8.1	8.0	8.2	8.2	8.3	8.5	8.6	8.6	8.5	8.7	8.9
VIII	11.6	12.0	11.0	10.8	10.5	10.9	10.9	10.8	11.1	11.1	11.0	10.9	11.2	11.5
IX	17.1	16.8	15.6	15.9	15.6	15.6	16.0	15.9	16.1	15.9	15.8	15.8	15.9	16.1
X	41.2	36.8	41.6	43.6	44.7	42.8	43.3	42.7	40.5	39.9	40.7	40.1	40.3	38.2

Source: Cortés (2011), according to data from the INEGI and the National Survey of Household Income and Expenditure (ENIGH). Reproduced with permission by the author.

² According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2010b), Mexico was the Latin American country most severely affected by the crisis.

³ Data garnered from the National Commission of Minimum Wages, [online] www.conasami.gob.mx.

⁴ Our estimates based on data provided by the National Institute of Statistics and Geography (INEGI), the National Survey of Employment (ENE) and the National Survey of Occupation and Employment (ENOE).

TABLE 2
INCOME POVERTY, 1992-2010
(Percentage of the national population)

Year	Poverty		
	Food ^a	Capabilities ^b	Patrimony ^c
1992	21.4	29.7	53.1
1994	21.2	30.0	52.4
1996	37.4	46.9	69.0
1998	33.3	41.7	63.7
2000	24.1	31.8	53.6
2002	20.0	26.9	50.0
2004	17.4	24.7	47.2
2005	18.2	24.7	47.0
2006	13.8	20.7	42.7
2008	18.4	25.3	47.7
2010	18.8	26.7	51.3

Source: Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL), 2011.

^a Population with insufficient income to afford the official Basic Food Basket;

^b Population that cannot afford the Basic Food Basket and education or health disbursements;

^c Population that cannot afford the Basic Food Basket, education and health costs, and housing, transport or clothing expenses.

The Social Development Law (LGDS) has defined a new approach to measuring poverty that is not longer based exclusively on income, but rather on a multidimensional method that considers the following variables: income, access to food, education, health services and social security, housing (with adequate space and construction quality), basic housing services (for example, electricity, potable water, sewers) and social cohesion. This method establishes two income thresholds: the welfare line, which includes the cost of a basic-food basket and non-food related goods, and the minimum welfare line, which just includes the cost of a basic-food basket. These lines establish the minimum level below which a person's income is insufficient to acquire goods and services required to satisfy basic needs.

The 'multidimensional poor' are those who have deprivations in at least one of the dimensions defined above and whose incomes are below the welfare line. A vulnerability cut-off, in terms of deprivations, is defined for people with at least one social deprivation, irrespective of income. A third group is defined as 'vulnerable' in terms of income, with incomes below the welfare line, but without any social deprivations. Finally, the extremely poor are those with at least three deprivations and income below the minimum welfare line (CONEVAL, 2011).⁵

According CONEVAL's estimates, in 2008, only 18% of the population was neither poor nor vulnerable in any of the aforementioned dimensions. In 2010, this figure increased slightly to 19.3%. Conversely, 82% of the population in 2008, and 80.7% in 2010, was considered either poor or 'vulnerable'.

⁵ For detailed information regarding the CONEVAL's poverty measurement method, see CONEVAL [online] <http://www.coneval.gob.mx>.

In the context of the most recent financial crisis, between 2008 and 2010 multidimensional poverty increased slightly from 44.5% to 46.2%, while the population considered vulnerable decreased from 33% to 28.7% (see table 3). The reduction in social deprivation is mostly due to the growth of Social Insurance (*Seguro Popular*) (see section V.B), which reduced the perception of deprivation in the area of health, and to a lesser extent to the creation of a programme called “70 and over” (see section III.B), which improved indicators related to social security.⁶

TABLE 3
MULTIDIMENSIONAL POVERTY, 2010

Indicators	Percentage		Average number of deprivations	
	2008	2010	2008	2010
Poverty				
Population living in poverty	44.5	46.2	2.7	2.5
Population living in moderate poverty	33.9	35.8	2.3	2.1
Population living in extreme poverty	10.6	10.4	3.9	3.7
Vulnerable population due to deprivations	33.0	28.7	2.0	1.9
Vulnerable population due to income	4.5	5.8	0.0	0.0
Non poor and non vulnerable population	18.0	19.3	0.0	0.0
Social deprivation				
Population with at least once deprivation	77.5	74.9	2.4	2.3
Population with at least three deprivations	31.1	26.6	3.7	3.6
Social deprivation				
Educational lag	21.9	20.6	3.2	3.0
Access to health services	40.8	31.8	2.9	2.8
Access to social security	65.0	60.7	2.6	2.5
Space availability and quality of the dwelling	17.7	15.2	3.6	3.5
Access to basic dwelling-related services	19.2	16.5	3.5	3.3
Access to education	21.7	24.9	3.3	3.0
Welfare				
Population with an income below the minimum welfare line	16.7	19.4	3.0	2.7
Population with an income below the welfare line	49.0	52.0	2.5	2.2

Source: Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL), based on the 2008 and 2010 National Survey of Household Income and Expenditure (ENIGH).

It bears mentioning that the incidence of poverty is particularly high in rural areas, officially defined as towns and villages with less than 15,000 inhabitants. In 2010, 94.8% of the rural population lived in poverty or was considered ‘vulnerable’, according to CONEVAL. Indigenous communities are the most severely affected, with 96.8% of the population considered poor or vulnerable (CONEVAL, 2011). Since market-oriented reforms were implemented at the beginning of the 1990s, small-scale farmers have suffered an increase in their costs of production, the virtual disappearance of

⁶ *Seguro Popular* only provides primary and secondary healthcare attention, while social security institutions provide primary, secondary and tertiary healthcare attention. Similarly, the 70 and over pension is lower than that granted through social security.

credit, the withdrawal of governmental support in marketing and distribution, and the introduction of regressive subsidies such as PROCAMPO (Scott, 2010).

During the last decade, social spending has grown faster than the GDP: between 2000 and 2010, the yearly GDP growth rate averaged 1.7%, whereas the growth of social spending was 5% (see table 4). This recent growth notwithstanding, according to ECLAC (2010c), in 2008/2009, social spending in Mexico was lower than the average for Latin American countries. What is more, social spending in Mexico tends to be pro-cyclical (ibid), although a reduction in its variability has been noted (Ordoñez, 2011).

TABLE 4
TOTAL PUBLIC SPENDING AND SOCIAL SPENDING RELATIVE TO GDP, 2000-2010
(Percentages)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total public spending	19.6	20.0	21.8	22.1	21.0	21.4	21.9	22.1	23.8	26.2	25.7
Total public social spending	8.2	8.8	9.4	9.2	9.1	9.4	9.5	10.0	10.9	11.2	11.3

Source: Prepared by the authors, based on data gathered from the Federal Public Finance Account (*Cuenta de la Hacienda Pública Federal*), GDP (based on 2003), INEGI, national accounts.

III. The pension system in Mexico

In 1997, Mexico began a transition from a public system of pensions to one administered by private managers and based on individual capitalization accounts (Mesa-Lago, 2005, p.28). By 2007, 17 million workers had converted to the new system (Werner, 2007), while almost three million were still in the pay-as-you-go public system. Recently, government efforts have focused on consolidating the National Pensions System (Presidencia de la República, 2007, p.102) by fostering the creation of multiple private pension funds and the portability of funds from the public to the private system.

Non-contributive social pensions were not included as part of the new pensions system. They operate separately and are managed by the Ministry for Social Development (*Secretaría de Desarrollo Social*, SEDESOL), as well as by local governments throughout the country.

A. Overview of contributive pension regimes in Mexico

The existing contributive pension regimes in Mexico exclude informal workers in urban areas and, to a large extent, rural workers. The segmentation of the system is extreme. There are more than 100 different pension schemes for workers in different sectors, and special regulations affecting workers that continued under the old regime and then changed to the new regime. There are various schemes for public workers and also for workers in particular states of Mexico⁷. Furthermore, private companies have introduced special supplementary funds for their workers, deepening the segmentation of the system (CONSAR, 2011). The four main pension regimes for workers in the formal sector can be summarized in the following terms:

1. Mexican Social Security System (*Instituto Mexicano del Seguro Social, IMSS*)

This is a mandatory regime for wage-earners and other workers, determined by the federal government (Social Security Law, Article 12). Domestic workers, workers of family companies and members of cooperatives are allowed to become affiliated to this regime. The majority of workers affiliated to the IMSS belong to private companies. There is also the possibility to affiliate voluntarily to the regime through individual contracts with the IMSS.

⁷ These regimes are detailed in a longer version of this article (Valencia, Foust and Tetreault, 2012).

The IMSS provides retirement and old-age pensions, ‘survival pensions’ for a deceased worker’s dependents, disability insurance, and it protects against risks at work and related to illnesses and maternity (see section V.A). It also provides access to day care and other social allowances (Social Security Law, Article 11).

The law establishes that an individual account should be created for each insured worker under one of the Retirement Funds Administrators (*Administradoras de Fondos para el Retiro*, AFORES). Retirement pensions are available to workers 60 years old and above as long as they have contributed to said account for at least 1,250 weeks. To access old age retirement, the affiliated worker must be at least 65 years old.

At retirement, the affiliated workers may choose between an inflation-adjusted annuity and programmed withdrawals. The amount is calculated according to the saved funds in their AFORE account. Furthermore, workers might opt for an early retirement if the annuity pension exceeds by at least 30% the minimum guaranteed pension.

2. Social Security and Social Services Institute for State Workers (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, ISSSTE*)

The ISSSTE provides social security for workers in the public sector, including retirement and survival pensions, old age security, and disability and health insurance, as well as protection against risks at work (Law of the ISSSTE, Article 3). Like the IMSS, the ISSSTE also provides access to day care and other social allowances, including funding for housing, personal loans, social and cultural services (ibid, Article 4).

ISSSTE works through individual saving accounts managed by AFORES. In order to access the benefits, contributions must have been made for at least 25 years —equivalent to 1,300 weekly hours—. The minimum age for an early retirement is set at 60 years. In the case of retirement, the affiliated worker may also choose between an inflation-adjusted annuity and programmed withdrawals. Until June 2010, only 228,484 public workers had changed to the individual capitalization account system of a total of 2,644,359 workers making regular contributions to the ISSSTE. In addition, 460,644 new individual capitalization accounts have been created by workers entering the system for the first time (Presidencia de la República, 2011).

3. Social Security Institute for the Mexican Armed Forces (*Instituto de Seguridad Social para las Fuerzas Armadas Mexicanas, ISSFAM*)

Social security for the armed forces includes access to retirement pensions, survival pensions, as well as integral healthcare, collective housing allowances, investment funds, plus other social and cultural benefits.

The ISSFAM is the only institute that administers the collective retirement funds of the military forces. It does not operate through individual accounts, but through a Collective Insurance Fund for Retirement (*Fondo del Seguro Colectivo de Retiro*). Twenty years of service are required for accessing social security under this regime.

4. Collective Work Contract for Workers of the PEMEX- Trade Union of Oil Workers of the Mexican Republic (*Contrato Colectivo de Trabajo PEMEX- Sindicato de Trabajadores Petroleros de la República Mexicana, STPMR*)

The collective contract for PEMEX workers provides old age and disability pensions, as well as an integral medical service, housing benefits, investment funds, day care, educational—including scholarships—and cultural services (PEMEX-STPRM, 2009).

The old age pension requires 25 years of service and a minimum age at retirement of 55 years. There are also pensions due to permanent disability and a survival pension for the worker's dependents. In addition to these four pension schemes with broad coverage, there are others with special conditions for high-level civil servants (in the financial sector, the judiciary and the executive power).⁸ Someone employed in a public bank—such as Banco Nacional de Obras y Servicios Públicos, Banobras—, hired before the reforms carried out during the first decade of the 21st century, can retire at the age of 55, after 26 years of service.

Alternatively, at the age of 60 years, they can obtain a life-long pension that is proportional to their years of service (after working for at least five years). The life-long pensions for ex-magistrates from the Supreme Court and ex-Presidents, with shorter periods of service than the rest of the pension schemes (15 and 6 years respectively), are equivalent to the income of an active Minister (80% after two years) and to that of a Secretary of State, respectively. In this way, the segmentation and hierarchal organization of Mexico's pension system becomes patent.

B. Non-contributive pensions in Mexico

Different non-contributory programmes for old-age pensions have been created by institutions such as SEDESOL and local governments since the year 2003. In terms of coverage, three stand out as the most important: the Federal District's Food Pension, the old age transfer that forms part of *Oportunidades*, and the Federal Government's "70 and over" programme.⁹

The Food Pension was the first non-contributory pension programme in Mexico. It was created by law in 2003 and established the entitlement for all senior citizens aged 70 years old and above to a daily pension not less than half the minimum wage of the Federal District (*Ley Pensiones Alimentarias DF*, 2003). Thus, every resident in the Federal District that meets the age requirement has a right to this pension. The total budget for the programme must be defined yearly by the Representatives Assembly of the Federal District. In September 2009, the minimum age to qualify for the allowance was reduced to 68 years.¹⁰

In 2006, SEDESOL created a national-level conditional cash transfer for beneficiaries of *Oportunidades* aged 70 years and above. The allowance is granted to elderly members of families that are in the programme *Oportunidades*, conditional on their attendance to programmed health checkups and to training sessions on self-care (*Programa de Desarrollo Humano Oportunidades*, 2008).

⁸ See a more detailed presentation in Valencia, Foust and Tetreault (2012).

⁹ Several other social pension programmes, more limited in their scope and very heterogeneous, have been created in recent years and are detailed in a longer version of this article (Valencia, Foust and Tetreault, 2012).

¹⁰ See [online] <http://www.ordenjuridico.gob.mx/Estatal/DISTRITO%20FEDERAL/Decretos/DFDEC159.pdf>.

Finally, in 2007, SEDESOL launched the “70 and over” programme for people aged 70 years and above living in rural areas (*Programa de Atención a los Adultos Mayores de 70 Años y Más en Zonas Rurales*).¹¹ Those receiving this monthly allowance cannot receive *Oportunidades*’ support for the elderly.

C. Spending on pensions

Spending on contributive pensions has increased in Mexico from 1.6% of GDP in 2001 to 2.6% in 2010 (Presidencia de la República, 2011). It should be kept in mind that this is very regressive spending, insofar as it benefits the higher income deciles of the Mexican population (see section III.D). In real terms, social spending on pensions doubled during the last decade, increasing at an average annual rate of 8.6%. This resulted from an increase in the number of pensioners affiliated with IMSS or ISSSTE.

While the number of persons receiving a non-contributive pension (2.8 million people) is getting closer to the number of persons receiving a contributive pension (3.6 million people), in 2010 spending on the “70 and over” programme represented only 0.09% of GDP (Presidencia de la República, 2011), and spending on the Food Pension, 0.035% of GDP. Spending on non-contributive pensions is highly progressive, but since it is so low it has a very limited effect on income distribution.

D. Coverage of pensions

The coverage of the two main pension regimes, the IMSS and the ISSSTE, has increased by 60% over the past 10 years, from 2.25 million workers in 2000 to 3.6 million in 2010 (Presidencia de la República, 2008 and 2011). However, according to Ham Chande and Ramírez López (2008), over 60% of the population is not affiliated to a contributive pension regime and the proportion of the population aged 65 years old and above who receives a pension from one of these regimes is less than 20%.

According to CONEVAL (2008), in 2006, 71.5% of the population aged 65 years old and above lacked a pension; this figure rose to 91% among the poorest 20% of the population. On the basis of data supplied by the 2008 National Survey of Household Income and Expenditure (ENIGH), Rubio and Garfias (2010) estimate that among the population aged 70 years and above, 27% receive a pension and 40.5% live in poverty.

Individual accounts managed by AFORES have increased considerably from 17.8 million in 2000¹² to 41.2 million in 2010 (CONSAR, 2011). Nevertheless, only 37% of the workers affiliated to AFORES made regular contributions to the system. This is mainly due to labour mobility. According to Soto (2008, p.42), the ‘density of contributions’ —that is, the percentage of working time registered in AFORES— is only 56%. In this regard, the real coverage of the contributive pension system is weak. Moreover, it excludes nearly half of the economically active population.

Reflecting the labour structure in Mexico, which shows a high proportion of workers in the informal labour market, workers with AFORES tend to live in urban areas and belong to the highest income deciles. In 2010, 45.4% of the workers with an AFORE belonged to the two highest deciles, while only 8.6% belonged to the four poorest income deciles. This distribution was even more segregated than in 2008 (see table 5).

Similarly, in 2010, 59.7% of the people receiving a pension belonged to the two highest income deciles, compared to only 10% in the four poorest income deciles. Again, this regressivity has worsened since 2008. As is the case with AFORES, the vast majority of pensioners live in urban areas (see table 6).

¹¹ The programme was initially provided to elders living in rural towns with no more than 10,000 inhabitants; however, as of 2011, it has been expanded to towns with up to 30,000 inhabitants.

¹² See [online] <http://www.consar.gob.mx/SeriesTiempo/Series.aspx?cd=109&cdAlt=False>.

TABLE 5
WORKERS WITH AFORES BY INCOME DECILES, 2008-2010
(Percentages)

Household income deciles	2008	2010
1	0.3	0.4
2	1.0	1.0
3	3.1	2.8
4	5.0	4.4
5	7.2	7.3
6	9.9	10.1
7	13.2	12.4
8	15.9	16.0
9	20.6	20.2
10	23.8	25.4
Total	100.0	100.0
Urban	94.0	92.8
Rural	6.0	7.2

Source: Prepared by the authors, based on ENIGH 2008 and 2010.

TABLE 6
PERSONS RECEIVING A PENSION BY INCOME DECILES, 2008-2010
(Percentages)

Household income deciles	2008	2010
1	1.2	0.5
2	3.0	2.8
3	3.2	3.1
4	4.1	3.6
5	5.3	5.0
6	6.5	5.9
7	7.3	7.4
8	10.9	11.9
9	18.1	18.6
10	40.3	41.1
Total	100.0	100.0
Urban	95.2	94.3
Rural	4.8	5.7

Source: Prepared by the authors, based on National Survey of Household Income and Expenditure (ENIGH), 2008, 2010.

Pensions in Mexico are highly stratified, depending on a worker's salary. Thus, based on data from 2002, while the ratio of average incomes between the highest and the poorest income deciles is 28 to 1, this ratio becomes 287 to 1 when it comes to pension income (Scott, 2008:74); with data from 2010, the latter ratio reached 291 to 1.¹³ In 2011, there were 2.9 million people receiving non-contributive pensions. Some of the programmes that provide non-contributive pensions reduced their coverage over the years: for example, the number of people receiving the old-age component of *Oportunidades* has fallen from 803,000 in 2006 to 61,710 by mid-2010 (Presidencia de la República,

¹³ See this estimation in Valencia, Foust and Tetreault (2012).

2011, p.499). This is due to the creation of the “70 and over” programme, which had incorporated 2.1 million people by 2010 (Presidencia de la República, 2011). In the case of the Federal District’s Food Pension, over 500,000 people had been incorporated by 2011.

The majority of the elderly who receive a non-contributory pension live in poverty. In 2010, 62.3% of the beneficiaries of these programmes belonged to the four deciles with lower incomes and only 9.6% was from the two deciles with higher incomes (see table 7). Contrary to what happens with contributory pensions, the proportion of the elderly receiving a non-contributory pension is almost the same in rural and urban areas.

TABLE 7
PERSONS WHO RECEIVE AN OLD AGE NON-CONTRIBUTIVE
PENSION, 2008-2010
(Percentages)

Household income deciles	2008	2010
1	33.2	21.8
2	14.2	19.7
3	10.6	11.4
4	6.7	9.4
5	7.6	8.8
6	5.8	6.5
7	6.0	7.1
8	4.9	5.5
9	5.4	5.3
10	5.7	4.3
Total	100.0	100.0
Urban	50.6	52.9
Rural	49.4	47.1

Source: Prepared by the authors, based on National Survey of Household Income and Expenditure (ENIGH), 2008, 2010.

IV. The Living Better (*Vivir Mejor*) strategy for social development

A. Overview of the main anti-poverty programmes and the *Vivir Mejor* strategy

In accordance with the General Law of Social Development, the Development Plan for 2007-2012 establishes that SEDESOL will coordinate the National System for Social Development (*Sistema Nacional de Desarrollo Social* – SNDS). This system comprises various actions to reduce poverty, although many others, such as those related to social security and education, are not included. Thus, this system may be depicted only as a partial effort to articulate social policy for poverty reduction.

The SNDS is governed by the principle of sustainable human development, understood as “a permanent process to enhance capabilities and freedoms for all Mexicans without compromising the needs of future generations” (Presidencia de la República 2007, p.9). The SNDS is also inspired by the principle of equal opportunity, understood as the obligation of social policy to protect the poorest and most vulnerable population. Regretfully, the Plan does not define the concept of social development. Moreover, the concept of sustainable human development is not included in the General Law of Social Development and an explicit mention to the implications of a social rights approach to social policy is made neither in the SNDS nor in the *Vivir Mejor* strategy¹⁴ (CONEVAL, 2008, p.98).

The *Vivir Mejor* strategy was launched in April 2008. It has five main goals: (a) to promote comprehensive social participation through the enhancement of citizens’ capabilities and their access to food, education, health, housing, infrastructure and ‘legal identity’; (b) to protect people from risks and contingencies; (c) to protect and enhance surroundings, and to promote orderly and regionally balanced development, in such a way as to foster social cohesion; (d) to increase productivity through better employment opportunities and higher incomes; and (e) to introduce sustainability criteria in social policy (Gobierno Federal, 2008). Three main courses of action have been defined in order to achieve these goals: (i) the development of basic capacities; (ii) the strengthening of social protection networks; and (iii) the strengthening of links between social policies and sustainable and sustained economic development.

¹⁴ An explicit mention of social rights is made in the Rules of Operation of *Oportunidades* for 2008 (SEDESOL, 2007: 2).

The most relevant programme related to the first course of action —developing basic capabilities— is *Oportunidades*, due to its extensive coverage, and to a lesser degree the Food Support and Rural Supply Programme (*Programa de Apoyo Alimentario y Abasto Social*) and the programme for subsidizing milk, LICONSA.

Oportunidades consists of an inter-institutional mechanism coordinated by SEDESOL, with the participation of the Ministry of Public Education and the Ministry of Health. The programme was formally launched in 1997¹⁵, with the over-arching goal of breaking the inter-generational transmission of poverty, developing basic capacities among families living in poverty and supporting them in their access to basic social goods and services.

Initially, the programme included three components: education transfers (scholarships) to promote the completion of primary and secondary studies among children and young people —especially, girls in rural areas that tend to abandon school earlier—; health transfers to encourage families to use existing healthcare facilities; and transfers and other types of support to improve food consumption and the nutritional conditions of poor families.

In recent years, additional components have been added to the programme, including: (a) a food subsidy, delivered monthly to compensate for the increase in food prices; (b) an energy subsidy; (c) a pension for family members aged 70 years and above (see section III.B); and (d) the Youth with Opportunities education grant to encourage young people to complete high school before the age of 22. Table 8 summarises the conditional cash transfers that have recently been incorporated into *Oportunidades*.

TABLE 8
AVERAGE AMOUNT OF THE TRANSFERS INCLUDED IN *OPORTUNIDADES*, 2008-2010
(US\$ per month)

	July – December 2008	July – December 2009	July – December 2010
Food support	17	16	17
Energy subsidy	5	4	5
Support for Senior Citizens	24	22	24
<i>Vivir Mejor</i> food support component		9	10

Source: Rules of operation for *Oportunidades*, 2008, 2009 and 2010.

The maximum total amount of cash transfers that a family can receive —if it includes high school students plus two senior citizens— was US\$ 210 per month in 2008 and US\$ 242 in 2010. This amount is equivalent to 66% (in rural areas) and 48% (in urban areas) of the ‘capacities’ poverty line for a family composed of five members.

Also related to *Vivir Mejor*’s first line of action, the Food Support and Rural Supply Programme was created in 2003 to improve the food and nutritional conditions of families living in extreme poverty, particularly those living in rural areas without other forms of governmental food support. This programme is geared towards families that are not included in *Oportunidades*, which does not operate in isolated rural communities that lack basic health and education services. In 2010, it comprised three main transfers: a food allowance of US\$ 22 per month; the *Vivir Mejor* food support programme including an allowance of US\$ 10 per month; and a children’s allowance, also part of *Vivir Mejor*, of US\$ 8 per month for each child, with a maximum of three children per family.

With regards to the second line of action —strengthening the social protection network—, various initiatives have been developed in an effort to assist vulnerable groups such as senior citizens, indigenous peoples, persons living with disabilities, women suffering from domestic violence,

¹⁵ The programme was formerly known as the Education, Health and Food Programme (PROGRESA), and since 2002, it was called Programme for Human Development *Oportunidades*.

vulnerable children and youth, and informal rural workers. In practice, this translates into a considerable number of federal programmes with small budgets, with the exception of the “70 and over” programme. For example, the Programme for Supporting Agricultural Day Labourers (*Programa de Atención a Jornaleros Agrícolas*) had a budget equivalent to 0.03% of the federal budget for poverty reduction in 2008. Other initiatives that correspond with this line of action include protection against catastrophic expenses (with reference to Popular Security, see section V), protection against temporal loss of employment, inter alia through the strengthening of the Temporal Employment Programme (see section VII), and various other actions to protect vulnerable groups from economic contingencies and natural disasters.

Finally, *Vivir Mejor* seeks to ‘build bridges’ between social and economic policies. On the side of social policy, the strategy aims to: (i) build productive capacity, especially through *Oportunidades*, by providing scholarships, education and training opportunities, and by funding productive projects, granting certification to products, and so on; (ii) facilitate labour market insertion, especially through the expansion of day care services, leading to the creation in 2007 of the National System of Day Cares and Nurseries (*Sistema Nacional de Guarderías y Estancias Infantiles*, SNGEI), so as to allow women to work for a remuneration out of home. It is coordinated by the Department for Integral Family Development (DIF) and the SEDESOL, and different institutions participate in its implementation, including: the Ministry of Public Education, the Ministry of Labour and Pensions (*Secretaría del Trabajo y Previsión Social*), the Ministry of Health, the IMSS and the ISSSTE.¹⁶

As part of these efforts, the Day Care and Nurseries to Support Working Mothers programme was created. This programme subsidises day care services that support single parents and students seeking paid employment. To enter the programme, parents or guardians must apply directly through SEDESOL. The system is focused on households living in poverty or vulnerability and it provides up to three family allowances equivalent to US\$ 55 per month for each child to be registered in a day care or nursery affiliated with the Network of Children Nurseries (*Red de Instancias Infantiles*) (SEDESOL, 2007).

On the side of economic policy, the government envisages ‘bridges’ in the form of easier access to labour markets, improved saving mechanisms for vulnerable families, employment generation through large infrastructure projects, regional economic development, and improved public security.

A particularly weak aspect of *Vivir Mejor* is the absence of any explicit mechanisms to effectively coordinate the different programmes and lines of action contained in this strategy. As such, it essentially amounts to a marketing strategy that groups together existing anti-poverty programmes, most of which were inherited from previous federal governments, with some innovations and increased coverage. What is more, on the operational level, it is ambiguous with regards to social rights and it does not set any specific goals to make them attainable.

B. Consumption and food production subsidies

During the era of import-substituting industrialization (1940-1982), Mexico adopted a broad policy of general supply-side food subsidies. After the 1982 crisis, these were abolished and targeted, mostly demand-side, subsidies were introduced. In this context, the Federal Government created the Programme for Direct Support for the Countryside (*Programa de Apoyos Directos al Campo*, PROCAMPO). This programme sought to help agricultural producers adapt to the new structural conditions created by the liberalisation of the economy. The programme was created in 1993, just before NAFTA came into effect, and it was initially designed to last for 15 years. During this period,

¹⁶ According to data provided by the National Survey of Employment and Social Security, 78.4% of children aged 0 to 4 years are cared for by their mothers, 10.8% by their grandmothers and only 2.6% attend by public day cares (INEGI, 2010). In 2011, the IMSS only created enough space for 234,744 children at its day cares, which only amounts to 24% of the demand for this service among its affiliates (Presidencia de la República, 2011: 518). Hence, this sector is still very precarious in Mexico.

farmers were expected to diversify their production and shift towards export-oriented crops with a comparative advantage. However, the programme is yet to be cancelled and in 2008, in the context of rising food prices, it was officially extended until 2015.

PROCAMPO provides direct cash transfers to its beneficiaries.¹⁷ Cash is paid for each hectare of land—or a fraction thereof—that is seeded, thereby avoiding the market distortions associated with former subsidy programmes. Other important Federal Government programmes, managed by enterprises in which the State has majority participation, include the Social Milk Supply Programme (*Programa de Abasto Social de Leche*, LICONSA) and the Programme for Rural Provision (*Programa de Abasto Rural*, DICONSA). The first guarantees access to fortified milk to vulnerable populations. The latter provides supplies of basic food stuffs to 23,572 shops located in isolated regions throughout the country. DICONSA also manages two sub-programmes—*Mi masa* and *Mi sopa*—that provide enriched and fortified cornmeal and a soup paste at subsidized prices.

C. Funding and coverage of poverty reduction programmes

Oportunidades accounted for over 18% of the total budget approved to combat poverty in 2008 (Presidencia de la República, 2008). In the context of the financial crisis of 2008-2009, efforts to combat poverty meant an increase in spending on social programmes equivalent to 0.40% of GDP. Consequently, the coverage of *Oportunidades* increased from 5 to 5.8 million families. Similarly, the Food Support and Rural Supply Programme increased its coverage up to 2.6 million families, the Temporal Employment Programme went from 200,000 to 900,000 people (see section VII) and Habitat from half a million to two million people. Other programmes, such as LICONSA and DICONSA maintained their large coverage.

In real terms, *Oportunidades* increased its budget by a factor of 3.8 between 2000 and 2010. The budget for other anti-poverty programmes also expanded rapidly, for example Habitat, whose budget tripled between 2003 and 2010, and the Food and Social Support Programme, whose budget increased by 11 times between 2007 and 2010.

Oportunidades is a very progressive programme. In 2008, 80.3% of its transfers were focused on the four poorest income deciles and only 1.3% on the two richest income deciles. In 2010, these figures changed slightly to 74.6% and 1.6%, respectively, with the overall distribution of transfers remaining very progressive. It also bears mentioning that two thirds of the programme transfers are distributed among rural households.¹⁸

Something very different occurs with PROCAMPO. Although this programme benefits 1.6 million people who own less than five hectares and work in agriculture, it is very regressive (Scott, 2010, p.112). The programme excludes 93% of peasants with less than one hectare, 81% of the owners of one to two hectares and 61% of the owners of two to five hectares. These are the agricultural producers facing the greatest constraints and living in poverty within the rural areas of Mexico (Fox and Haight, 2010). Thus, in 2008, 41.4% of the PROCAMPO transfers were focused on the poorest four income deciles and 31.9% were focused on the highest two income deciles. In 2010, this distribution indicated a slight improvement: 49.9% of transfers were concentrated among the poorest four deciles and only 24.1% went to the two highest income deciles. Nevertheless, due to inequality in land ownership, in 2010 PROCAMPO transfers among the largest producers in the richest income decile (4.1% of the programme's beneficiaries) was ten times more than the average PROCAMPO transfers among producers in the poorest income decile.¹⁹

¹⁷ In 1994, the programme transferred US\$ 100 per planted hectare. However, between 1994 and 2009, the transfer lost 29.4% of its real value. In 2010, the transfer was equal to US\$ 76 per hectare.

¹⁸ Our estimates according to the 2008 and 2010 ENIGH.

¹⁹ Our estimates according to the 2010 ENIGH.

PROCAMPO's budget has decreased systematically in real terms, from 0.16% of the GDP in 2000 to 0.11% in 2010. Both LICONSA and DICONSA had a very marginal participation in social spending in 2010, representing only 0.02% of the GDP.

According to CONEVAL (2011), non-contributive governmental transfers in 2010 prevented poverty from increasing to the level projected in the absence of these transfers (as poverty affected 52 million people instead of 53.5, as projected). Also, it is worth considering that different impact evaluations show that *Oportunidades* has led to improvements in the health and nutrition of families, increasing children's schooling and slightly reducing poverty and inequality.²⁰ Although important, these are still limited impacts considering the magnitude of poverty and inequality in Mexico.

²⁰ See, among others, Cortés, Banegas and Solís (2007), Cecchini and Madariaga (2011) and Valencia (2008).

V. The health sector in Mexico

According to the classification by Mesa-Lago (2005), the Mexican health system is highly segmented. According to the General Law of Health, the National Health System comprises federal and local public health institutions, as well as private healthcare services. It is regulated by the Ministry of Health. It encompasses social security institutions, a Social Health Protection System for the population without access to social security, as well as institutions attending the population excluded by these schemes. There are also private health institutions and private health-insurance schemes.

Health sector infrastructure is mostly public. Thus, for example, in 2010, 69.9% of the hospital beds in the country were in the public sector and the remaining 30.1%, in the private sector. This trend is reversed in the case of access to operating rooms which are mostly private (57.1% in 2010).

A. Health social security system in Mexico

Different systems provide access to healthcare through social security. The four main regimes are specified below. There are various other schemes for public workers.²¹

1. Mexican Social Security Institute

The Mexican Social Security Institute (*Instituto Mexicano de Seguridad Social*, IMSS) is the main provider of health insurance in Mexico. It provides surgical, medical, pharmaceutical and hospital assistance. These services may be provided by the IMSS itself or through agreements with other institutions (Social Security Law, Articles 91 and 89). They are available to the affiliated members and their family or dependents.

2. Social Security and Social Services Institute for State Workers

In the area of health, the Social Security and Social Services Institute for State Workers (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, ISSSTE) provides attention through self-managed institutions or agreements with other public institutions. In case of illness, workers or pensioners have access to diagnosis and treatment, including dental, surgical, pharmaceutical, external

²¹ These regimes are explained in detail in the longer version of this article (Valencia, Foust and Tetreault, 2012).

consulting and rehabilitation services. Health attention also includes preventive medical attention, maternal healthcare and physical and mental rehabilitation services. These services are available for the affiliated members and their family or dependents.

The ISSSTE has a mandatory and a voluntary scheme. The mandatory scheme covers active or pensioned public workers—including workers of municipal governments who have signed an agreement with the Institute—. The voluntary scheme covers former public-sector workers who have worked for at least 5 years and have signed a new agreement with the ISSSTE.

3. Social Security Institute for the Mexican Armed Forces

Military, both in active duty and retired, and their immediate family are entitled to integral healthcare provided by the Social Security Institute for the Mexican Armed Forces (*Instituto de Seguridad Social para las Fuerzas Armadas Mexicanas*, ISSFAM). Besides medical and surgical attention, this includes hospital and pharmaceutical attention, plus obstetrics, orthopaedics, rehabilitation of persons living with a disability and preventive and social medicine (Law of the ISSFAM). Care is provided at ISSFAM facilities or by subrogated services.

4. Collective Work Contract for PEMEX Workers - Trade Union of Oil Workers of the Mexican Republic

Access to integral medical services is provided to workers affiliated to the PEMEX trade union or those who receive a pension from Collective Work Contract for PEMEX Workers - Trade Union of Oil Workers of the Mexican Republic (*Contrato Colectivo de Trabajo PEMEX- Sindicato de Trabajadores Petroleros de la República Mexicana*, STPMR), as well as their dependents. It includes preventive healthcare, protection against risks at work, general medicine, specialized medicine and surgery. These services are provided directly by the employer or by subrogated services (ibid).

B. The non-contributive Social Health Protection System

Recognising the severe limitations of access to social security in health, the General Law of Health was passed in 2003. This law seeks to achieve universal health coverage for all citizens, as stated in the Constitution, and to create a Social Health Protection System for families without any access to social security.

This system is meant to complement the existing health insurance services provided by other public institutions. Its main instrument is Social Insurance (*Seguro Popular*). Also, in recent years, several other instruments have been introduced: Medical Insurance for a New Generation (*Seguro Médico para una Nueva Generación*), the Safe Pregnancy Programme (*Seguro para un Embarazo Seguro*) and the Protection Fund against Catastrophic Expenses (*Fondo de Protección contra Gastos Catastróficos*).

Seguro Popular combines contributions made by families—except for families in the poorest two income deciles, which do not have to pay—and the State (CNPSS, 2009). It provides voluntary affiliation based on the socio-economic conditions of the affiliated persons and it must be renewed each year. As a reference, 7.3 million families became affiliated in 2007, and in 2011, 6.6 million had re-affiliated.

The Medical Insurance for a New Generation covers children born after the 1st of December 2006, the date that Felipe Calderón became president. The insurance formally provides these children with universal health coverage for life, including a medical insurance equivalent to 100% of medical expenses at the primary level of attention and 95% of hospital service expenses. It also includes medicines, consultations and treatments. In total, the insurance comprises 128 different medical interventions (Presidencia de la República, 2007).

The Safe Pregnancy Programme was launched in August 2008 to reduce the incidence of maternal mortality in remote areas of the country. The programme grants 100% coverage in 15 medical services dealing with different types of complications that women may experience before, during and after delivery. Under this insurance scheme, women may also access highly complex services granted by the Protection Fund against Catastrophic Expenses, and their children may be registered in the Medical Insurance for a New Generation.

The Protection Fund against Catastrophic Expenses provides coverage against 40 treatments corresponding to 8 different diseases (CNPSS, 2009). However, not all requests are effectively satisfied, as their number will depend on the budget limit defined by the technical committee of this Fund.

The National Commission of Social Protection on Health also participates in the definition of inter-sectoral healthcare actions as part of broader social protection policies. This is, for example, the case of *Oportunidades* (see section IV) and the creation of a basic primary health package to improve nutrition and promote healthy lifestyles.²²

These insurance programmes provide an identity document to beneficiaries so they can demonstrate their affiliation to Popular Insurance, allowing access to healthcare services—generally through the Ministry of Health’s medical centres. A Universal Registry of Health Services (*Catálogo Universal de Servicios de Salud*) has been generated for this system, covering 100% of primary healthcare services and 95% of existing hospital services (CNPSS, 2009). In 2010, it covered a list of 275 medical interventions (CNPSS, 2008, 2011). Nevertheless, in spite of the progress that these funds imply regarding broader access to health insurance, they reproduce a segmented pattern by providing different levels of protection for different sectors of the population. Furthermore, the medical services provided by these programmes are considerably more limited than those guaranteed by contributive social security schemes (Durán Arenas, 2011), providing only a basic package of health services.

C. Coverage of the contributive and non-contributive health system

Formal employment is the main entrance gate to healthcare insurance through social security. However, as outlined in section 3, only half of the Mexican population has access to social security and many workers move between formal and informal employment (Levy, 2008). Furthermore, in 2010 only 34.9% of the economically active population had access to healthcare services, a percentage even lower than in 2000 (35.5%).²³ This situation therefore implies many barriers to full health protection for Mexican families.

Hence, universal and permanent healthcare insurance cannot be taken for granted in Mexico. According to the regulations of the different social security regimes—including PEMEX-STPMR—, affiliation is lost only a few weeks after dismissal. Both the IMSS and the ISSSTE medical services are ensured for long-term illnesses for up to 52 weeks, renewable only once.

The coverage of public health insurance schemes is highly regressive, as it increases with income (see table 9). 17.5% of the affiliates are located in the first four income deciles, while more than a third are in the two higher income deciles. This trend has become more acute over the years, reflecting the impact of the economic crisis in terms of imposing greater barriers to decent work. Furthermore, the situation is worse for workers affiliated to the PEMEX/ISSFAM and the ISSSTE, than to the IMSS. Rural workers make up only a small portion of the total number of affiliated members.

²² The programme also provides nutritional supplements to children aged 6 to 59 months old, pregnant and breastfeeding women.

²³ Our estimates based on data provided by INEGI, the National Employment Survey (ENE) and the ENOE.

TABLE 9
PERSONS AFFILIATED TO SOCIAL SECURITY INSTITUTIONS
IN HEALTH BY INCOME DECILES, 2008- 2010
(Percentages)

Income deciles	2008	2010
1	1.3	1.3
2	3.3	2.7
3	5.4	5.0
4	7.5	7.1
5	9.2	9.3
6	11.0	11.0
7	13.5	12.7
8	14.8	14.3
9	16.8	17.2
10	17.4	19.0
Total	100.0	100.0
Urban	92.3	91.7
Rural	7.7	8.3

Source: Prepared by the authors, based on National Survey of Household Income and Expenditure (ENIGH), 2008, 2010.

Gaps between the richest and poorest income deciles are also significant when analysing the distribution of the population with access to private healthcare centres. A quarter of the affiliated members to the IMSS —about eight million persons in 2008 and 2010— resorted to private healthcare services. Among the two highest income deciles, 42.6% in 2008 and 46.9% in 2010 of the population hired private medical services, compared to 2.9% in 2008 and 2.8% in 2010 among the two poorest income deciles. The large majority of the population that hired private services, both in 2008 (94.4%) and 2010 (93.6%), lived in urban areas.²⁴ These figures indicate that people who belong to high income groups and those who live in urban areas have more medical opportunities.

The different systems reviewed in section 5.1 provide access to services of diverse quality and breadth. Furthermore, the contributions made by workers to insurance schemes differ considerably, deepening stratification. In the cases of the IMSS and the ISSSTE, financing is tripartite and workers contribute approximately a quarter of the total resources; in the cases of the ISSFAM, the PEMEX and the financial public sector, the insurance is free of cost and completely financed by the State.

In the case of the Social Health Protection System, at the end of 2008, 27.2 million people were affiliated to the *Seguro Popular* and by 2010, this figure had increased to 43.5 million.²⁵ 1.82 million children become affiliated to the Medical Insurance for a New Generation and 188,900 women were part of the Safe Pregnancy Programme (CNPSS, 2009). Also, 11.2 million people benefitted in 2009 from the health packages provided by the Social Health Protection System and *Oportunidades*, and this figure increased to 13 million in 2010.

Figures regarding affiliation to the health system change considerably depending on the source of information. On the basis of the administrative records of the health system, the country increased coverage by 16 percentage points between 2008 and 2010, leaning towards universal coverage. However, based on the ENIGH data, affiliation has only increased by 9 percentage points and the population lacking access to healthcare was 31.8% in 2010 (see table 10).

²⁴ Our estimates based on the 2008 and 2010 ENIGH.

²⁵ Initially, it was expected that 49.1 million people would become members of *Seguro Popular*. These expectations are currently being reviewed according to the results of the 2010 census, budget availability and estimates of the population that might potentially become affiliated (CNPSS, 2011).

TABLE 10
AFFILIATION TO HEALTH SERVICES, 2008-2010
(Percentages of the total population)

	Administrative records (2008)	Administrative records (2010)	ENIGH (2008)	ENIGH (2010)
IMSS (a)	44.6	46.5	30.5	28.8
ISSSTE (b)	10.3	10.7	6.5	6.9
Other public institutions ^a (c)	1.2	1.3	2.9	2.0
Sub-total social security (d=a+b+c)	56.1	58.5	39.9	37.7
<i>Seguro Popular</i> (e)	24.8	38.7	19.3	30.5
Total access to health services (d+e)	80.9	97.2	59.2	68.2
Lacks access to health services	19.1	2.8	40.8	31.8

Source: Prepared by the authors, based on the administrative records of the IMSS, ISSSTE, ISSFAM, PEMEX and *Seguro Popular*, and National Survey of Household Income and Expenditure (ENIGH), 2008, 2010.

^a PEMEX and ISSFAM.

The distribution of affiliates to *Seguro Popular* according to income is considerably different from the case of social security health insurances. People that belong to the lowest income deciles have priority access to *Seguro Popular*. Nevertheless, among these deciles there is still an important percentage of people lacking access to health insurance (see table 11). Contrary to the case of social security insurances, people living in rural areas are almost equally represented in their access to *Seguro Popular*.

TABLE 11
AFFILIATION TO *SEGURO POPULAR*, 2008- 2010
(Percentages)

Income deciles	2008		2010	
	Number of persons	Percentages	Number of persons	Percentages
1	4,260,433	20.1	6,295,169	18.3
2	3,902,662	18.4	5,864,371	17.1
3	3,126,530	14.8	5,258,483	15.3
4	2,810,961	13.3	4,496,564	13.1
5	2,163,293	10.2	3,745,103	10.9
6	1,744,331	8.2	2,988,183	8.7
7	1,287,153	6.1	2,200,192	6.4
8	971,756	4.6	1,808,108	5.3
9	568,553	2.7	1,159,187	3.4
10	348,806	1.7	537,397	1.6
Total	21,184,478	100.0	34,352,757	100.0
Urban	11,385,289	53.7	20,181,276	58.8
Rural	9,799,189	46.3	14,171,481	41.2

Source: Prepared by the authors, based on ENIGH 2008 and 2010.

In sum, affiliation to diverse healthcare schemes tends towards universalism in Mexico, though there are still significant gaps to fill, according to ENIGH 2010. It is important, however, not to confuse “universal affiliation” with the “universal coverage of medical services”. Recently, millions of people have been affiliated to *Seguro Popular*, but this does not guarantee all medical services, since the services offered are still very limited compared to the ones provided by the social security institutions. After all, *Seguro Popular* and the Social Health Protection System provide a package of basic services that, in reality, is very far from constituting universal coverage in medical services. The result is a highly segmented and hierarchical health system that differentiates among Mexican citizens.

D. Social spending and funding in the health system

Social spending on health has not increased significantly in spite of the increase in affiliation. This can be explained by the fact that the Social Health Protection System includes services that formed part of the Ministry of Health's existing infrastructure and that of other public institutions.

In absolute terms, social spending on health has increased from 1.9% of GDP in 2000 to 2.7% in 2010. However, this level is a considerably lower than the average level of spending on health in Latin America (3.7% according to ECLAC, 2010b). In 2010, the budget for *Seguro Popular* only represented 0.3% of GDP.

VI. The education sector in Mexico

A. Overall description of the education sector

The right to education is one of the earliest recognised in the Constitution. This has given rise to a continuous quest for universalism on diverse levels of education. In spite of these outstanding institutional efforts, a backlog of needs has accumulated, mostly affecting low-income households and the rural sector, especially indigenous groups.

The General Law of Education establishes three types of education: basic, higher secondary and higher education. Basic education is composed of pre-school, primary and secondary education. Pre-school is not a requisite to enter primary education. Until June 2011, basic education was the only compulsory level of instruction, but since that date, higher secondary education has also become obligatory.²⁶

The typical ages and corresponding grade levels are as follows: pre-school, from 3 to 5 years old, comprising three years of education; basic education, from 6 to 18 years old, including primary school (grades 1 to 6), secondary school (grades 7 to 9), and higher secondary school (grades 10-12). Higher secondary school includes both a high school and technical training. Higher education includes higher technical training and university degrees. Finally, early education—for children aged between 45 days and three years old—, adult education and special education are also provided in Mexico.

B. Coverage of the education system

Coverage at the primary education level is close to universal, although there are sectors of the population that are not attending school. The enrolment rate in secondary education has also increased and is close to universal, to a large extent due to the impact of *Oportunidades* (see section IV).

Between 1980-1981 and 2006-2007, the failure rate has decreased in primary and secondary school—falling from 11.1% to 4.1% and from 29.3% to 17.6%, respectively—, although it has increased slightly at the high school level—from 33.4% to 33.7%—. In the same period, completion

²⁶ See [online] <http://www.informador.com.mx/mexico/2011/324867/6/obligatoriedad-de-preparatoria-reforma-historica-senado.htm>.

rates have increased for primary school (from 86% to 104%),²⁷ for secondary school, (from 45.2% to 77.4%) and for higher secondary education (from 19.6% to 44.1%).

Between 1990-1991 and 2006-2007, coverage of primary education was above 100%;²⁸ it increased in secondary education (from 67.4% to 92.5%), and also on the high school level (from 28.8% to 53.3%). Finally, dropout rates have been reduced on all levels, although this is more apparent in primary education where it is now close to 1%. The highest desertion rate (15%) is at the high school level. The average number of years of schooling in Mexico increased from 4.6 in 1980-1981 to 8.3 in 2006/2007.

Nevertheless, there are still gaps in the attendance rates for basic education. In 2010, 3.2% of children aged 6 to 12 years and 13.9% of children aged 13 to 15 years did not attend school. Within rural areas, gaps are even wider: 6.5% of children aged 6 to 12 years and 26.5% of children aged 13 to 15 years did not attend school.²⁹

In Mexico, 13.1% of the population is illiterate. However, illiteracy is higher in the poorest income decile of the population (26.1%) and among persons living in rural areas (19.2%). Furthermore, 17.9% of the population aged 15 years and above and belonging to the poorest income quintile is illiterate (CONEVAL, 2009:6). Similarly, in 2010, 58.8% of the population with no formal education was concentrated in the four poorest income deciles —with a decline of only 1.3 percentage points compared to 2008, when it stood at 60.1%.³⁰ Inversely, in 2010, 88.7% of PhDs were located in the two highest income deciles.

Another way of analyzing the country's inequalities in education is through an indicator on education gaps created by CONEVAL (2011),³¹ which shows that in 2010, 29.4% of the population in the four poorest income deciles had an education gap, while among the two highest income deciles this percentage was only 7.5%. According to this indicator, educational deprivation is twice as high in rural than in urban areas.

C. Social spending on education

Education is the most important sector as regards to total public spending since the 1990s (Ordoñez, 2011) and schools are the public institutions with the greatest presence throughout Mexico's territory. Nevertheless, public spending on education is low compared to the Latin American average: in 2008-2009, spending on education in Mexico represented 3.8% of GDP, while the average level of spending in the region was 5% of GDP (ECLAC, 2010b).

Furthermore, spending on education as a percentage of GDP has not changed much over the past decade: in 2000, it was 3.3% of GDP, in 2005, 3.5% of GDP and in 2010, 3.8% of GDP³². However, in real terms, it increased by 52% between 2000 and 2010. Spending on education is progressive for basic education: 59% of this spending is concentrated among the two poorest income quintiles. However, when it comes to technical and university education, it is concentrated among the two richest income quintiles (ECLAC, 2010b). Hence, challenges remain to include the poorest population in tertiary education.

²⁷ The completion rate refers to the ratio between students who graduate from a given level of education and the total population in the age group that typically corresponds to the same level. In this case, a completion rate of more than 100% indicates that students older than 12 years old also completed primary school in 2006-2007.

²⁸ See previous footnote.

²⁹ Our estimates, based on ENIGH 2008 and 2010.

³⁰ Our estimates, based on 2008 and 2010.

³¹ This indicator applies to the following situations: population aged between 3 and 15 years that has not finished compulsory education (secondary school completed) or does not attend school; population aged 16 years and above, born in 1981 or earlier that has not completed primary education; population aged 16 years and above, born in 1982 or later that has not completed secondary education (CONEVAL, 2011).

³² Our estimates, based on the Federal Public Treasury Account for spending made between 2000 and 2010.

VII. Employment protection in Mexico

In Mexico, there is no unemployment insurance, except for a programme that was implemented in the Federal District in 2008, with an allowance equal to the minimum wage for a period of up to six months.³³ Employers, however, are legally obliged to give severance payments to workers that are laid off, as established by the Federal Labour Law (Bensusán, 2006; Ochoa León, 2005). In the case of a fixed-term or permanent contract, the payment must be equivalent to three months of salary, plus 20 days per year of service, plus a series of other benefits depending on the number of years that the worker spent with the same employer.

Furthermore, the Social Insurance Law (Article 191) allows the unemployed to withdraw an equivalent of 30 to 90 days of the base salary contributions made to the Retirement, Advanced Age Unemployment and Old Age Subaccount (*Subcuenta de Retiro, Cesantía en Edad Avanzada y Vejez*), which insured workers have in their individual retirement accounts. The legal underpinnings of the ISSSTE only allow withdrawals to be made once every five years for a sum equivalent to 75 days of the worker's base salary during the last five years of employment and 10% of the savings accumulated in the sub-account.

Severance payments are scarce and heavily concentrated within the higher income deciles, since these are the deciles with a higher proportion of formal workers with a contract³⁴. This is also likely to be due to the fact that higher income workers have access to better legal support. In 2010, 69.4% of the value of severance payments was concentrated in the two highest deciles and 5.2% in the poorest four deciles.³⁵

Due to the increase in unemployment during the most recent financial crisis, in January 2009 the federal government launched the National Agreement to Foster Family Finances and Employment for Better Living (*Acuerdo Nacional en favor de la Economía Familiar y el Empleo para Vivir Mejor*)³⁶. This agreement includes 25 actions in five areas: support for employment and workers, family finances, competitiveness and small and medium enterprises (SMEs), investment in infrastructure, and transparent, opportune and efficient public spending.

³³ See [online] http://www.styfe.df.gob.mx/wb/styfe/ley_de_seguro_de_desempleo.

³⁴ The legal severance payment is rarely applied. According to Bensusán (2006), only 6.5% of dismissed workers make a legal claim for it.

³⁵ Our estimates based on ENIGH 2008 and 2010. Unfortunately, these surveys do not disaggregate indemnification for dismissal (severance payments) from the sums of money or bonuses given to workers when they retire.

³⁶ See [online] http://www.presidencia.gob.mx/infografias/2009/enero/070109_economia_empleo/index.html.

In the area of employment, the following actions have been implemented: the budget for the Temporal Employment Programme (*Programa Temporal de Empleo*) was increased by 40%; the Employment Retention Programme (*Programa de Preservación del Empleo*) was created, with an estimated cost of MXN\$ 2,000 million; an increase was permitted in the withdrawal capacity from AFORES in the case of unemployment³⁷; the medical and maternal healthcare services provided by social security in case of dismissal was extended from two to six months; and the National Employment Service (*Servicio Nacional de Empleo*) was strengthened.

It should be kept in mind, however, that social spending on employment programmes is very limited. For example, spending on the Temporal Employment Programme only represented 0.02% of GDP in 2010. Furthermore, spending on this programme has been very volatile: since it is considered an emergency programme, spending was cut between 2000, when it represented 0.06% of GDP, and 2006, when it dropped to only 0.01% of GDP.

³⁷ Between 2008 and 2009, withdrawals increased by 46%, and in 2010, they remained at the same level as in 2009 (CONSAR, 2008, 2009, 2010).

VIII. Final remarks

The Mexican social protection system has been transformed in two directions during the past two decades: on the one hand, a limited expansion of spending and integration of social security policies; on the other, an increasing relevance of non-contributive programmes to protect the poorest and most vulnerable. Thus, besides the traditional institutions of social security —such as mandatory health insurance, contributive pensions and day cares— various others have been created, combining contributive and non-contributive components and focusing on the poorest groups of the population: conditional cash transfer programmes, a voluntary health-insurance scheme, non-contributive pensions and subsidized day care, among others.

The coverage has increased considerably in primary and secondary education, and the strongest sectors in terms of social spending are still education and social security. Nevertheless, social spending on poverty reduction programmes has been the most dynamic. Consequently, affiliation has also increased in the institutions created to offer social protection services for the poor, such as *Seguro Popular*. Yet, the monetary value of conditional transfers is quite low and the coverage of the services provided, very limited, compared to the traditional institutions of social security. In practice, this structure creates a dual system that recognises different types of citizenship with differentiated and hierarchical rights. This is reinforced by the institutional multiplicity within pensions and health insurance regimes, establishing hierarchical and stratified benefits for different segments of workers.

All things considered, the Mexican social protection system has been relatively ineffective, incomplete, scarcely integrated, segmented, stratified, conservative from a gender approach and weak in fiscal terms. The system confronts several challenges to become integral, more equal, more committed in fiscal terms and, ultimately, to achieve the goal of effectively guaranteeing the universal social rights of the Mexican population.

Despite achievements in improving various human development indicators on the national level, these are only slightly better than the Latin American average. Furthermore, income poverty has not decreased steadily or significantly. On the contrary, the incidence of poverty has stagnated at an alarmingly high level between 1992 and 2010. Although there have been periods during which poverty decreased, it has also increased during times of crisis, revealing the difficulties in protecting the vulnerable sectors of the population from macroeconomic shocks. Inequality has remained high, although during the past decade it has experienced a slight reduction.

The Mexican social protection system is incomplete in two ways. First, the structure itself is incomplete insofar as it does not include unemployment insurance and the day care component is very weak. Second, there are big holes in the medical and pension components of this system, leaving important sectors of the population without effective guarantees to exercise their social rights. Reforming and strengthening the Mexican social protection system in order to guarantee the social rights of the entire population remains a fundamental challenge for the country.

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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.

