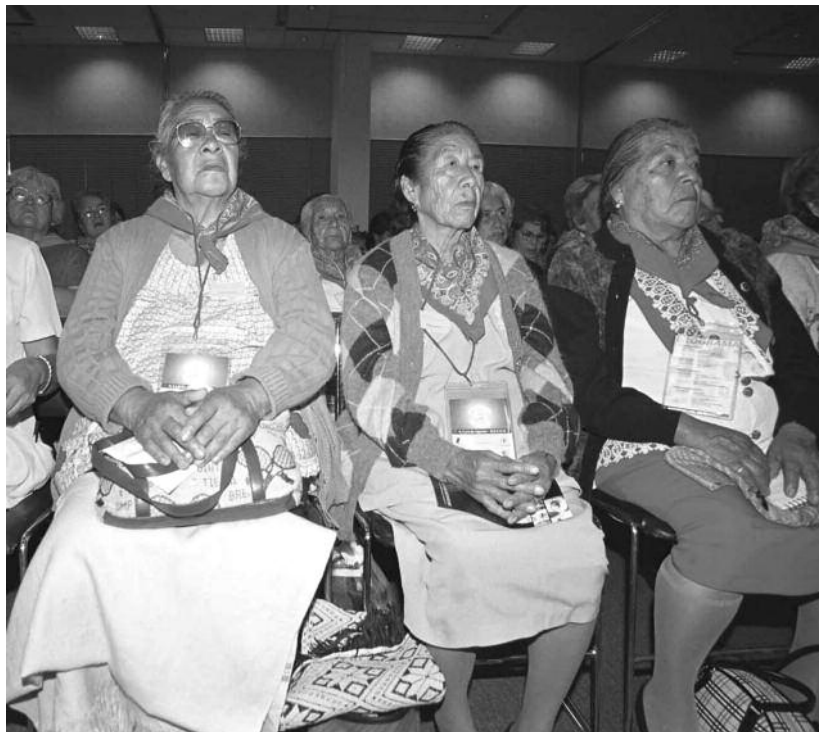


Aging in Mexico A Demographic Trap

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In 2020, approximately two out of every 10 Mexicans will be 65 or over.

To paraphrase the celebrated words of well-known authors—at least until my generation, when some thinkers have been shunted aside by Fukuyama’s hypotheses about the end of history and the fall of the Berlin

Wall—“A phantom is stalking the world, the phantom of aging.” This is a very good description of the effect of the dynamics of demography on world scenarios. This image becomes more or less precise according to the interest of the actors involved in the discussion of the problems faced by a country like Mexico, problems related to social security

and the survival of old people, problems that involve a large number of public institutions and the family.

Only a few decades ago it was difficult to imagine worldwide concern about aging. The main demographic problem faced by most developing countries was population growth due to high fertility rates; this even came to be considered a

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fundamental factor in explaining economic backwardness. If the obstacle to development was high population growth, we had to decrease it to aspire to economic advancement. The policies that aimed at this achieved their demographic objectives and in Mexico, it is no exaggeration to say that these actions are an example of successful public policy. The results have been such that in many countries, birth rates barely surpass those needed to replace generations and in the future, very prob-

sulted in the transformation of the age pyramid of the Mexican population. Specialized literature widely describes the effect that the drop in fertility has had on the age structure of the population, which, together with increased life expectancy, has meant that the proportion of individuals in the higher parts of the age pyramid is increasing and that, therefore, regardless of other factors, old people's problems become more visible.

This demographic change has created a central short- and long-term prob-

tion that includes both human beings and the material goods required for its development. Therefore, it is these relations that justify a specific level of fertility or certain kinds of family arrangements. Large families clearly fulfilled a role in guaranteeing the survival of their members. Given the enormous transformations taking place in the country, it is worth asking ourselves whether it will be possible to build a society in which "small families live better".²

For the individual, a longer life expectancy caused by the defeat of disease has a positive effect; for society as a whole, it increases the dependency ratio and the need for care for the aged.

The dependency ratio is simply a ratio in which the numerator is made up of children under 15 and adults over 64 and the denominator is persons between the ages of 15 and 64 (the economically active population on which children and the aged depend). If the numerator of this ratio drops, "dependency" will diminish.

In effect, the drop in fertility produced a decrease in this indicator because the number of children dropped. This has been called the "demographic bonus," since we now have a growing sector of the population of working age in contrast to the dependent population. However, this is simply an arithmetic ratio: in practice it does not necessarily mean that the population between the ages of 15 and 64 is actually working. In fact, it is increasingly difficult to expand the proportion of the population who works, and those people who do join the ranks of the employed do so in the informal sector, with its characteristic job instability and lack of benefits. The most significant factor is that together with the drop in fertility and the increased survival of the

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ably will, like in most European countries, be below that level. However, something that was not taken very much into account in this country is that the Mexican population's high birth rate was a reproductive strategy to counter high infant mortality rates: it was necessary to have many children so that at least some of them would survive. The strategy even considered offspring as "old-age insurance," in a society in which social security coverage only benefits a small sector of the population and in which most senior citizens depend on their children to survive given insufficient pensions or the total lack of them.

Today, only one out of every five Mexicans over 65 has a pension and 69 percent of pensioners receive a monthly check for no more than twice the minimum wage.¹

The so-called demographic transition, that is, the process whereby both death and birth rates drop over time, re-

sulted in the transformation of the age pyramid of the Mexican population. Specialized literature widely describes the effect that the drop in fertility has had on the age structure of the population, which, together with increased life expectancy, has meant that the proportion of individuals in the higher parts of the age pyramid is increasing and that, therefore, regardless of other factors, old people's problems become more visible.

In today's society in which the generations live together for longer and the proportion of the older population is growing, it is fundamental to establish how resources will be used so that living conditions of those who survive into old age do not deteriorate.

As we enter the third millennium, we must ask ourselves how society will resolve the matter of the survival of old people when what was for so long the old-age insurance —children— is now disappearing because of the drop in fertility, and when the existing institutional systems based on generational solidarity are now being transformed into a system of individual contributions to which, paradoxically, few can contribute.

Relations between generations define demographic regimens based on the reproduction of society, a reproduc-

aged, the number of old people who need society to provide them with services is increasing, among them health services which have a much higher cost than those required by children. If we add to this the need to guarantee the survival of the aged through a pension or a job and the difficulties in supplying these, we rapidly approach a “demographic trap” which we will not be able to escape if society does not pay sufficient attention to this new problem.

We need to make it clear that in the analysis of future scenarios, in which the older population will be increasingly important, we must take into account two institutional processes: retirement and the pension system, both of which are state functions which the Mexican state has in recent years decided to transfer to private bodies.

The population over 65, which in 2000 was about five percent of the total, will increase rapidly after the year 2030, reaching almost one-fifth of the national population in 2050. It is difficult to imagine a country like Mexico with this proportion of old people.

Table 1 shows the evolution of the aged sector of the population compared to the total since 1960 according to census data and the projections until the year 2050 developed by the Latin American Center for Demography. The slight reduction between 1960 and 1980 is due to the high level of fertility in those two decades, which made the population at the base of the pyramid maintain its absolute and relative growth.

Some of the consequences of this demographic change and its social impact are easily observable. Consumption by this sector of the population, the majority of which is no longer employed, will have to be financed by its own savings or society’s savings.

YEAR	%	YEAR	%
1960	4.6	2010	5.9
1970	4.3	2020	7.9
1980	3.8	2030	10.9
1990	4.0	2040	15.2
2000	4.8	2050	18.6

Source: Census and CELADE, “América Latina: Proyecciones de Población 1970-2050,” *Boletín Demográfico* 62 (Santiago, Chile: CELADE, 1997).

We are rapidly approaching a “demographic trap” which we will not be able to escape if society does not pay sufficient attention to this new problem.

Supporting a population growing in both absolute and relative terms will require sufficient resources and institutional conditions appropriate to dealing with the specific demands of the older adult population, demands that, as has already been noted, are clearly differential if we compare them with those of other age groups both in terms of physical deterioration (due to biological aging) and in terms of their inclusion in the economic system, given that for an older adult, the joblessness is not temporary. For a large proportion of old people, their exit from the labor market is definitive, with the additional disadvantage of having physical limitations. In the future Mexican society will confront large demographic problems associated with the population’s aging.

In absolute numbers, today’s senior citizen population is about five million people; by the year 2050, it will be 27 million.³ Financing their consumption

(in addition to food, housing and leisure, specialized medical attention and the care needed because of aging) is a fundamental matter which has to be dealt with right away and is another of a long list of demands that cannot be considered in individual terms.

This is even more important when we relate it to life expectancy by sex because, as can be seen in Table 2, the number of years both women and men tend to live once they have reached the age of 65 is increasing. But, women tend to live even longer, which, in conjunction with the drop in fertility, means that we can suppose that an increasing number of women will live out their old age alone, without children. They will also tend to be without resources because, in addition, the possibility of having a pension is decreasing due to reforms to social security legislation, including the increase in the minimum number of weeks that workers must contribute in order to qualify.

TABLE 2
LIFE EXPECTANCY BY SEX IN MEXICO
AFTER 65 YEARS OF AGE (1990-2025)

YEAR	MEN	WOMEN
1990-1995	15.9	17.8
1995-2000	16.2	18.3
2000-2005	16.5	18.8
2005-2010	16.7	19.2
2010-2015	17.0	19.6
2015-2020	17.2	20.0
2020-2025	17.4	20.4

Source: CELADE, "América Latina: Tablas de Mortalidad," *Boletín de Población* 61 (Santiago, Chile: CELADE, 1998).

Senior citizens are increasingly organizing and the lack of attention given them by the state could become a socially significant factor of destabilization.

Women's entry and exit from paid work according to the family life cycle, in which reproduction obviously takes up an important part of their working life, reduces their payments to social security.

This leaves them ineligible for social security benefits, despite the fact that their activity is key to society's survival and development.

Another important factor is that increased life expectancy, because of augmented periods of the life cycle, also increases the number of years lived outside of marriage both because the age for a first marriage rises and women also tend to live more years as widows. In other words, one of the most significant changes in the Mexican population's marital status is to be found among the older age groups because the number of widows increases.

Table 2 shows an 8.6 percent (1.5 years) and 12.8 percent (2.6 years) increase in life expectancy for men and women, respectively between 1990 and 2025. This increase, barring other changes that lower men's mortality in the older age group, will increase the probability that women who have been married spend a longer time as widows. Twenty-first century family arrangements in Mexico will reflect both a rise in the number of people who reach old age without a spouse due to longer survival of women and the greater number of separations and divorces.

It is increasingly clear that in the definition of future demographic scenarios the macro-economic situation is especially important and that factors like inflation, the evolution of life expectancy, the restructuring of social security and older people having jobs are

key variables that will define people's living conditions and inter-generational relations.

Referring to senior citizens when analyzing Mexican society is central for establishing the relationship between the dynamics of demography and the economic structure. One of Mexico's most significant problems in coming years will be linked to financing social security and dealing with the demands of the aged.

Senior citizens are increasingly organizing around their demands, and the lack of attention given them by the state could become a socially significant factor of destabilization.

From the strictly demographic point of view, the youthful structure of a country like Mexico and the time periods in which the process of aging manifests itself have justified the implementation of a new model of social security. In this model, the state transfers its responsibilities to individuals because it has a sufficiently large young work force to support pensioners during the so-called period of transition, wherein a system of distribution in which government agencies guarantee pensions is replaced by a system of capitalization in which each individual is responsible for saving enough for his or her retirement.

In addition, supposedly, the reforms will make it possible to have a series of social dividends from the privatization of the social security systems to shore up the basic education and health services.⁴ The fundamental question is how and when those dividends will be distributed among individuals.

The crisis of social security institutions is undeniable. For social accounting, there is no doubt that the resources the workers have contributed for their

retirement exist, but for individuals they could become only a virtual reality and, as such, when these resources are demanded by their beneficiaries, they may submerge society in a crisis of unforeseen dimensions. The most significant case is that of the State Workers' Social Security and Services Institute (ISSSTE), since it is estimated that of the total contributions to social security the workers have made, only a minimal part actually exists (10 percent, according to the ISSSTE workers union). If we add to this the fact that the actuarial reserve is insufficient simply because the time the pension was to be paid was originally estimated at two years after retirement, when today, this period has increased to almost 20 years. The Mexican Social

Security Institute (IMSS) faces similar problems.

Given this panorama, the solution to the crisis of social security has been the privatization of pension systems so that the survival of the individual will depend on his or her ability to save and that the savings is appropriately invested.

In this way, the basic premises of the new pension systems assume that the stock market will guarantee economic security during old age. If you are not lucky in the market, saving for the future will be a useless effort. Savings for retirement will also disappear with an increase in inflation. Thus, as Thomas Frank has made clear, from now on, everyone should be aware that, "Under

privatization, ... your retirement is tied solely to the size of your portfolio."⁵ **NM**

NOTES

- ¹ The current minimum wage is about 1,300 pesos a month, approximately U.S.\$118. [Editor's Note.]
- ² "Small families live better" was a government population policy publicity slogan in the 1970s and 1980s. [Editor's Note.]
- ³ According to the most recent National Population Council projections, this number could reach 32 million, which would represent almost one-fourth of the total, given that in this projection total population is lower.
- ⁴ The author is referring here to the reforms still being discussed about the total privatization of pensions, public health care and social welfare programs. [Editor's Note.]
- ⁵ Thomas Frank, "The Trillion Dollar Hustle. Hello Wall Street, Goodbye Social Security," *Harper's*, January 2002, pp. 31-38.

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