



► Social Protection in Action: Building Social Protection Floors for All

2022

Mexico: Towards universal non-contributory pensions for older persons and those with permanent disability

Summary

On 1 December 2018, Andrés Manuel López Obrador was sworn in as President of Mexico for a six-year term from 2019–2024. One of his social priorities has been the extension of pension coverage for older persons and those with permanent disabilities.

As a result, on 8 May 2020, the Decree on the Political Constitution of the United Mexican States was adopted, which established the right to a non-contributory pension for these persons in constitutional law. The Government aims to achieve universal pension coverage for older persons by the end of 2022.

The reforms undertaken in Mexico contribute to the creation of a nationally defined social protection floor providing income security for persons with disabilities and older persons.

Main lessons learned

► In 2018, 70 per cent of those aged 65 years and above received an old-age pension or a social transfer. Through constitutional reform, the Government aims to increase this rate to 100 per cent by the end of 2022.

According to the Government, in 2019 only 23 per cent of women and 40 per cent of men were contributing to a pension scheme, meaning the vast majority of those reaching retirement age will need to rely on non-contributory pensions.

- Thanks to the doubling of the benefit amounts of the non-contributory pension scheme from 2013 to 2019, the current benefit level of 1,925 Mexican pesos per month is close to the urban extreme poverty line of 1,950 pesos per month.
- In addition, and as suggested by the National Council for the Evaluation of Social Programmes (CONEVAL), it is important to complement this support with access to health care, decent housing and nutrition. In addition, more efforts are needed to increase the uptake of contributory pensions for workers in the informal economy, who represent more than 50 per cent of the working population.
- The recognition of these rights in the Constitution mandates the State to fulfil the right to universal old-age and disability pensions.

Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons. 187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal social protection.

The reforms undertaken in Mexico are in line with the principles established in Recommendation No. 202, in particular on ensuring universality of protection based on social solidarity; ensuring that benefit entitlements are prescribed by national law; and ensuring that schemes operate on a non-discriminatory basis, improve gender equality and are responsive to special needs.

Context

One of the cornerstones of the López Obrador Government (2019–2024) is combating poverty and social inequality. Until its election, the Mexican system was known for its non-contributory and targeted Prospera cash transfer programme. One of the new Government's first measures was to establish two universal social protection schemes: one for universal scholarships to teenagers attending upper secondary education in public schools (Becas Benito Juárez) and a universal old-age pension.

The design of the new Pension for the Welfare of Older Persons is based on the lessons learned from previous initiatives. In 2007, during the administration of President Calderón (2006–2012), the “70 and over” programme was created to provide income support of 500 pesos per month, paid every two months, to persons aged 70 and over living in towns of up to 2,500 inhabitants. It also promoted the use of banking services by beneficiaries. It was accompanied by outreach activities to promote inclusion in the public non-contributory healthcare system (People's Health Insurance Scheme). The programme was modified in 2009–2010 to include towns of up to 30,000 inhabitants. During the period from 2013 to 2018, under the administration of President Peña Nieto (2012–2018), the targeted population of the pension for older adults programme included adults aged 65 and over with a minimum of 25 years of residence in the country and who did not receive a higher pension from another source. This was a targeted programme aimed at older adults living in conditions of poverty, vulnerability, underdevelopment and marginalization. The amount of support was increased to 525 pesos in 2014.

Description of the reforms

Pension for the Welfare of Older Persons

In 2019, with the new administration of Andrés Manuel López Obrador, the Government created a universal non-contributory pension, entitled “Pension for the Welfare of Older Persons”, which provides financial support of 1,275 pesos per month, paid every two months and delivered through direct payments to bank cards held by beneficiaries. The programme started with a goal of

8.5 million beneficiaries and is aligned with the National Development Plan 2019–2024 in its axis for social policy, seeking to improve well-being among the population and reverse Mexico's enormous social inequalities.

This programme aims to improve the welfare of older persons by recognizing them as rights holders and giving them access to a guarantee of basic income security, in line with the social protection floor concept. As a first step, the programme included the Mexican and resident population aged 65 and above in indigenous communities, older persons aged 68 and above in the rest of the country, and older persons aged between 65 and 67 registered as active beneficiaries of the previous “Prospera” programme.

The new programme enables registration using documents that are easily accessible (proof of identity, proof of address and unique population registry code¹ or birth certificate). The registration process is managed by the Ministry of Welfare through its offices and local branches spread throughout the country. Benefit payments are preferably made through bank transfers, although they may be provided in cash if a beneficiary lives in a locality without sufficient banking infrastructure or does not have access to the banking system. The design of the programme was guided by the results of a welfare census conducted by the Ministry of Welfare in 2018 and 2019, which were published in 2020.²

In 2022, the Government's Pension for the Welfare of Older Persons universalized eligibility to include all those aged 65 years and above and the pension increased to a monthly benefit of 1,925 pesos,³ paid every two months. The programme also provides a funeral grant of 1,925 pesos. By the end of 2022, the Government aims to achieve universal coverage. The amounts of the non-contributory pension are near Mexico's urban extreme poverty line.

As a result of the new programme's goal to provide universal coverage, the Government's budget for old-age pensions has increased significantly in recent years. For 2022, the programme has been allocated a budget of 238 billion pesos (see figure). Through the reform, Mexico provides the largest universal pension scheme for older persons by number of beneficiaries in the Latin American region.

¹ Clave única de registro de población.

² Mexico, Ministry of Welfare, *Censo del Bienestar*, 2020.

³ According to CONEVAL, the urban poverty line by income in Mexico for 2022 is 3,997.24 pesos and the rural line is 2,837.57 pesos. The extreme poverty line by urban income for 2022 is 1,950.26 pesos and the rural line is 1,496.32 pesos.

Figure. Mexican government budgets for old-age pensions, 2018–2022 (in billions of Mexican pesos)



► Source: Fundar, “Gasto Público. Mismas Prioridades, pero Cambios Importantes”, 2022.

Welfare programme for persons with permanent disabilities

A second priority for the Government during its six-year term from 2019 to 2024 is the establishment of a non-contributory programme for persons with disabilities, also under the remit of the Ministry of Welfare. Its objective is to reduce the barriers that prevent the full realization of the economic and social rights of children and adolescents, young adults and indigenous persons with permanent disabilities.

The targeted beneficiary population of 1 million persons with disabilities has already been reached by 2022. This new programme had a budget of 8.5 billion pesos for the year 2019, while for 2022 its budget was increased to 18 billion pesos.

According to CONEVAL, 48.6 per cent of people with a disability were in a situation of poverty in 2018, while 9.8 per cent lived in extreme poverty. A lack of educational opportunities, access to social security and nutrition are the three main challenges faced by them.

The programme seeks to extend coverage to any person aged up to 29 years with a permanent disability, while persons with a permanent disability living in indigenous, African American or marginalized communities are eligible until the age of 65. At the beginning of the programme, beneficiaries received 2,550 pesos in economic support every two months (1,275 pesos per month, the same amount as was given for the Pension for the Welfare of Older Persons). For 2022, the amount will be 2,800 pesos every two months (1,400 pesos per month, lower than the current Pension for the Welfare of Older Persons benefit). Pension payment is made through electronic and non-

electronic transfers. The programme includes a funeral grant of 1,400 pesos in the event of a beneficiary’s passing. It also includes in-kind support for people with a permanent disability between 0 and 17 years of age. In-kind support includes the delivery of vouchers for rehabilitation services in public or private healthcare providers accredited by the National Health System. The Ministry of Welfare and its offices and local branches are responsible for the administration of the benefit.

Similar to the Pension for the Welfare of Older Persons scheme, the Welfare Programme for Persons with Permanent Disabilities is non-contributory. Transfers are provided unconditionally, with the aim of reducing administrative costs. The delivery of benefits is also quicker and less costly than the delivery of non-monetary benefits (food and services) and enables persons to choose how they spend their benefits.

As of early 2022, the Government is seeking to introduce a universal pension for persons with a permanent disability, in cooperation with state governments. The Government would contribute 50 per cent of the budget, with state governments contributing the remaining 50 per cent. This would allow all people with permanent disabilities to access a pension, irrespective of age or location.⁴

Impact of the reforms

According to the results of the 2020 census, there are 10.3 million persons aged 65 or over, of whom 54 per cent are women. Ensuring that persons of old age have access to adequate pensions will become increasingly important since their share in the population is expected to rise in the future. In 2010, those aged 65 years or above accounted for 6.18 per cent of the population; by 2020, this share had grown to 8.19 per cent.



⁴ Mexico, Ministry of Welfare, “Secretaría de Bienestar sienta las bases para la universalidad de la Pensión para Personas con Discapacidad”, 25 February 2022.

The reforms conducted by Mexico guarantees social protection to all the 10.3 million older persons and the more than 1 million persons with a disability, who otherwise may have been left without any protection. These groups combined represent nearly 9 per cent of Mexico's entire population. The increases in benefit amounts in recent years have further contributed to improving the adequacy of benefits, which are currently close to the urban extreme poverty line. In a country in which 55.7 million persons live in poverty, of whom 10.8 million live in extreme poverty, these programmes offer crucial protection from (extreme) poverty for older persons and those living with a disability.

Way forward

The universal non-contributory pension is one element of Mexico's pension system, which also encompasses social insurance and individual account schemes. It should be emphasized, however, that non-contributory cash transfer benefits are no substitute for formalization policies. The combination of a two-pronged strategy would be preferable, combining a horizontal vision based on universal social protection transfers with contributory social protection schemes

that are adapted to informal economy workers (56 per cent of the work force). Further social protection policies should be linked to labour formalization policies in order to ensure access to higher levels of protection for more people, as well as a broader tax and contribution base for social security. While the benefits provided by universal schemes help to prevent extreme poverty, increasing the uptake of contributory pensions would provide better income security in old age.

Lastly, in order to guarantee the future of the universal pension and disability schemes, sustained political will and adequate and sustainable budgetary resources are required. Enshrining the right to these schemes in law would be a first step towards improving their sustainability and would help beneficiaries to exercise their rights in practice.

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