

# Tripartite round table on pension trends and reforms

## Overall assessment of the pension system

### Mexico (Workers)

One of the main characteristics of the Mexican pension system is that it is highly fragmented, with almost 3,000 pension schemes covering the public and private sectors, universities, state governments and municipalities, thus making an accurate and reliable evaluation of the system difficult. Above all, however, it is deeply dispersed in terms of benefits, to the extent that, owing to the lack of funds in such schemes, workers have to join a wait list for years before being able to retire, which has serious implications for their interests and those of their family members.

Neoliberal reforms have made the labour market more flexible, resulting in major repercussions for workers, minimizing protection in recruitment, increasing job turnover, reducing wages and leading to an exponential increase in outsourcing. Informal labour has grown disproportionately: 57 per cent of the economically active population currently works in the informal sector, while just 43 per cent is in formal employment and, in theory, covered by social security.

With regard to the core principles, we have recently achieved a small step forward in terms of coverage as a result of enshrining in our Constitution the provision of the (somewhat misnamed) non-contributory pension, which will, in a way, increase the level of coverage – an urgent need for those older persons who have not reached the requisite number of weeks of contributions or have never worked in the formal labour market, and thus do not have a contributory pension. Even with this development, however, we have a medium level of coverage.

Likewise, the State has to a large extent assumed its overall and primary responsibility but is currently making it so that, if the proposed reforms are approved, retirement fund administrators will not assume responsibility when it comes to future replacement rates. We would then be in a situation that I refer to as RETRORESPONSIBILITY, that is to say, the private sector makes the big profits and, when it comes time to meet its obligations, these are taken on by the State.

As I mentioned at the outset, it would be difficult to say that the Mexican pension system is financially, fiscally and economically sustainable. What I can say is that for those with the largest number of beneficiaries, it has been achieved and I am sure it will be fully achieved.

With regard to the remaining core principles established by ILO social security standards, in the case of social solidarity and collective financing, this has not been feasible since the implementation in 1997 of the individual retirement accounts system, which does not promote solidarity or collective financing; non-discrimination, gender equality and responsiveness to special needs are conspicuous by their absence and no changes are expected in the short term; transparent management and administration is part of the major issue of corruption in the country; the involvement of social partners and consultations with other actors is not a practice in this area; and, lastly, the periodic review of pensions has not historically occurred.

I reiterate that the Mexican pension system is highly fragmented and dispersed. I would venture to say that any evaluation and analysis thereof should give consideration to the before and after scenarios, with the former running from 1943 to 1997 for the private sector and from 1960 to 2007 for public-sector workers, periods during which the pensions schemes had the greatest

benefits. Thereafter, the debacle began in terms of the reach of a pension due to the different structural features of the individual retirement account schemes, which, not strictly being pensions, leave workers covered by these laws in a situation of uncertainty in view of the fact that, based on international trends, low replacement rates are expected. Pension schemes for public universities and state and municipal governments are on the verge of collapse, since they have no funding, and the high level of corruption further complicates matters.

The Mexican pension system has underlying problems that few people mention, one being **low wages**, which have lost more than 70 per cent of their purchasing power over the past four decades. While it is true that a gradual wage recovery programme has been launched, it is still insufficient and, if the same path continues to be taken, it will take several years to achieve its objectives, considering the pandemic and economic crisis we are currently facing. Another structural problem still to be resolved is **informality**, which, in addition to causing minimum levels of productivity and competitiveness also leads to almost 60 per cent of the economically active population being unable to access social security. There is therefore a need to change education policy, which should be accompanied by the creation of jobs that generate added value and are not confined to manufacturing or the assembly industry. **The outsourcing phenomenon** is another problem that the current or future governments will have to attend to and correct, since harmful and abusive practices damage the interests of workers, the public treasury and the pension schemes. Lastly, the **new forms of work driven by technological change** should be legislated for and regulated so that the workers concerned can gain access to appropriate pension schemes.

In view of the foregoing, a thorough analysis and assessment of the current state of the Mexican pension system is required, followed by a broad social dialogue between the sectors concerned, which should lead to a proposal for an inclusive hybrid model that combines defined benefits; takes account of informal, rural and new digital economy workers; and maintains an individual retirement account scheme, with appropriate restrictions, for higher wage earners. In short, there is a need for restructuring, within the scope of which the State should take over management of the pension system.