

Persistence of an exclusionary model: Inequality and segmentation in Mexican society

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Abstract. *Beginning in the 1980s, Mexico's social and labour policies took a neo-liberal turn which exacerbated inequalities, poverty and social exclusion. The change of policy course that has occurred over the past decade has so far failed to bring about a critical review of the country's economic model and its social consequences. The role of the State has been systematically cut back; social services have been outsourced to the market; and informal family-based social protection has gained ground. Mexico's social model has thus been reduced to a system that is almost exclusively concerned with protection for those living in extreme poverty.*

This article analyses the changes that Mexico's social model has undergone over recent decades. In order to understand current trends, one must indeed appreciate that high levels of inequality (in income, employment, education, health, etc.), a high incidence of poverty and selective access to social services have been enduring features of Mexican history.¹

In the early 1980s, there emerged a new model of economic development featuring low wages and labour “peace” as its main competitive advantages. In this context, the dynamic state of the labour market and the neo-liberal turn taken by labour and social policies tended to exacerbate the old problems of social exclusion, increasing the numbers outside the scope of social protection and bringing precarious employment and low wages to greater segments of the working population.

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¹ Though a reduction in inequality and poverty did occur between 1963 and 1984, at the end of that period the wealthiest 20 per cent received over 50 per cent of disposable income and nearly six out of every ten Mexicans were still poor (Cortés, 2000; Hernández Laos, 2003).

Since 2000, after over 70 years of authoritarian corporatist rule, governments have succeeded each other as democratization has taken hold in Mexico. However, this has not led to a critical review of the social and labour policies from the 1980s or of their disruptive effect on the country's social fabric. Indeed, the course taken in the past decade by the conservative National Action Party that has been in power for two consecutive terms remains broadly in line with the Washington Consensus principles, which were espoused by many Latin American governments.

Generally speaking, the Mexican social model may be said to have gone from "conservative-informal" to "liberal-informal" (Barrientos, 2009). The main features of the emerging model are the ever more residual role of the State (limited to provision for those in extreme poverty) and the privatization of social protection whose corporatist component has declined – though not disappeared – and is being superseded by informal provision on a growing scale. In other words, although the two types of social policy now coexist, a transition is occurring from a policy founded on the principles of citizenship (characteristic of the corporatist regime) to an alternative that is not founded in any way on social and labour rights (Pérez Baltodano, 1997).

This article explores the main changes introduced in welfare and employment since the 1980s and their impact on the quality of employment, the distribution of opportunities and the living conditions of large parts of the Mexican population. It highlights the persistence – in policies currently being implemented – of the pro-market bias that inspired those changes. Finally, the article stresses the need to give a new direction to Mexico's current development strategy (which now leads to marked social exclusion), turning it into an inclusive, solidarity-based model capable of reducing the social divide and helping construct real social citizenship.

Social model, neo-liberal reforms and the transition to democracy

The 1980s represented a transition stage on the way to a new, outward-looking development model, based on the promotion of manufactured exports – mainly to the United States – and accession to the North American Free Trade Agreement (NAFTA). Between 1995 and 2000, the number of jobs in *maquiladoras* increased from 650,000 to 1.3 million, albeit at wages almost 40 per cent lower than those paid in standard manufacturing plants (Salas and Zepeda, 2003).²

Adjustment and stabilization policies focused on fiscal discipline, inflation control, the opening up of trade, labour and workplace flexibilization, and pension and tax reforms. The reforms were pushed through speedily by the authoritarian regime, especially in the 1990s, but they plunged the traditional political

² *Maquiladoras* are export processing zones where raw materials and components are imported for manufacturing or assembly, and finished products re-exported – chiefly to the United States – subject only to value added tax.

system into a deep crisis which eventually contributed to the democratization process.

Over 20 years later, these reforms appear to have produced no improvement in the living standards of broad segments of the population. Although the fiscal deficit and inflationary pressures have been brought under some degree of control, economic growth since 1990 has been slow and volatile. After a short period of pump-priming between 1996 and 2000, the economy stagnated again between 2001 and 2003 and, in spite of a slight recovery in 2004 and 2006, GDP growth slackened again in 2007–08. Annual growth rates were 4.2 per cent in 2004, 2.8 per cent in 2005, 4.8 per cent in 2006, 3.3 per cent in 2007, and 1.3 per cent in 2008; in 2009, growth is expected to be strongly negative.

The design and implementation of macroeconomic policy placed excessive emphasis on price stabilization and fiscal discipline, without any accompanying strategy for social development and quality job-creation aimed at reducing inequality, social segmentation and poverty. Social development policies certainly did not receive the priority or energetic application accorded to macroeconomic policy. There was a dramatic increase in poverty and inequality: in 2002, one in every two Mexicans was poor, and one in every five was living in extreme poverty (table 1). The income of the richest 10 per cent was twice the income of the poorest 40 per cent, and more than half the employed population was not covered by social security. Around the year 2000, recorded levels of inequality were similar to those of the 1960s, with Gini coefficients of 0.54 and 0.52, respectively. Since then income distribution data have shown no consistent trend: inequality narrowed slightly between 2000 and 2002, widened again in the following years, and then narrowed again in 2006 (see table 2).

Table 1. Evolution of poverty, 1992–2008 (percentage of population)

Type of poverty	1992	1994	1996	1998	2000	2002	2004	2006	2008
National level									
Extreme poverty (nutrition) ^a	21.4	21.2	37.4	33.3	24.1	20.0	17.4	13.8	18.2
Poverty (livelihood) ^b	53.1	52.4	69.0	63.7	53.6	50.0	47.2	42.6	47.4
Rural areas									
Extreme poverty	34.0	—	—	—	42.4	34.0	28.0	24.5	31.8
Poverty	66.5	—	—	—	69.2	64.3	57.4	54.7	60.8
Urban areas									
Extreme poverty	13.8	—	—	—	12.5	11.3	11.0	7.5	10.6
Poverty	44.3	—	—	—	43.7	41.2	41.1	35.6	31.8

^a Percentage of persons in households whose per capita income is less than what is needed to cover minimum nutritional requirements (purchase of the "basic food basket"). ^b Percentage of persons in households whose per capita income is less than what is required to cover their basic needs for food, clothing, footwear, housing, health, public transport and education.

Source: Author's compilation of data from CONEVAL (2006, table 2, p. 9 and 2009, figure 1, p. 4, and table 1, p. 5), based on the National Household Income and Expenditure Surveys of 1992, 1994, 1996, 1998, 2000, 2002, 2004, 2006 and 2008.

Table 2. Indicators of income distribution and concentration, 1989–2006

	Average income ^a	Percentage of persons with per capita income of less than:		Share of total income of:		Ratio of average per capita income	
		Average	50% of average	D1–D4 (poorest 40%)	D10 (richest 10%)	D10/D1–D4 ^b	Gini coefficient ^c
1989	8.6	74.2	43.5	15.8	36.6	17.2	0.536
1994	8.5	73.1	44.7	15.3	35.6	17.3	0.539
2000	8.5	73.2	44.0	14.6	36.4	17.9	0.542
2002	8.2	71.7	41.2	15.7	33.2	15.1	0.514
2004	8.3	72.6	41.0	15.8	34.6	15.9	0.516
2005	8.7	72.5	41.6	15.4	35.4	16.7	0.528
2006	8.7	71.9	40.2	16.9	32.9	14.7	0.506

^a Average monthly household income in multiples of the poverty line. ^b Average income of the 10 per cent of households with the highest income divided by the average income of the 40 per cent of households with the lowest income. ^c The Gini coefficient is a measure of inequality between 0 and 1, with 0 corresponding to perfect equality and 1 to perfect inequality.

Source: ECLAC, 2008, statistical annex, table 12, p. 323, and table 14, p. 329.

Welfare regime: Privatization and marginalization of the role of the State

The collapse of social spending in the first half of the 1980s led to a general decline in the quality of health and education services. Subsidies for basic foods were scrapped and, in 1992, an amendment to Article 27 of the Constitution allowed the privatization of *ejidos* (collective farmland), marking the end of the long process of land reform.

Universal social protection and redistributive social policies were declared ineffective because they favoured the middle class to the disadvantage of the lowest income groups. Strategies to differentiate access to benefits and services were proposed; these were to be based on privatization and competition, subsidized demand and targeted social expenditure.

The emerging paradigm tended to multiply (and deepen) divisions in access to social services. The distinction between “not poor” and “poor” was compounded by another, characterizing the labour market, i.e. “formal” vs. “informal” – a distinction that has become increasingly blurred. The “not poor” (whether insured or not) were categorized by income level, being presented with a wide range of services at different price and quality levels in the barely regulated market for private services. The poor were categorized as “moderately” or “extremely” poor, the latter including persons living in the marginalized rural areas, who typify the recipients of state welfare.

Health and pension reforms

Mexico’s health system is profoundly unequal in terms of access to services, financing and other indicators; there are wide variations in quality between and

within the public and private sectors, and the system is institutionally fragmented, attracting low levels of per capita expenditure, particularly for persons not covered by social security (OECD, 2005). In 2004–05, per capita public health expenditure was US\$153, below the levels observed in Argentina, Costa Rica, Brazil, Trinidad and Tobago and Chile (ECLAC, 2008, p. 130). Furthermore, there are persistent barriers to access to care in public establishments and inefficiencies among service providers; and the private sector is vast and poorly regulated. Budgetary restrictions have limited the quantity and quality of care for the poor, generating a transfer of demand to the private sector, which is financed largely through user fees (OECD, 2005).

In 1984, the universal right to health protection was written into the Constitution, and a process of decentralization of the services of the Federal Department of Health got under way. Rights were given formal recognition but without any legal mechanisms or infrastructural investments to make them effective in practice. At the same time, the private sector was designated as an integral part of the health system, which encouraged the privatization of medical care.

One of the main reforms in this sector was the creation of the People's Health Insurance in 2001.³ This is a public, voluntary insurance scheme targeting low-income families that have no entitlement to social security benefits. It covers a bundle of medical services, medicines and some expenses arising from extreme illness or injury. It is financed by contributions from the federal Government, the states and insured families, whose contributions are assessed on the basis of household income (with a non-contributory scheme applying to those in the lowest two income deciles). Towards the end of 2008, when the number of persons not covered by social security exceeded 50 million, 9.1 million families were officially reported as covered by the People's Health Insurance (Sistema de Protección Social en Salud, 2009, p. 21).

In the 1990s, significant changes were made to social security following the model of pension-system privatization being applied in most countries in the region. The Retirement Savings System (SAR) was created and a new Social Security Act was adopted.⁴ This introduced an individually funded regime for private-sector workers and separated social services and health care from the pension system. Under the new system, the minimum period of contribution for entitlement to the minimum pension went up from the previous 9.6 years to 33.7 years (Valdés-Prieto, 2007). Contributions to individual savings accounts, including the SAR, amounted to 6.5 per cent of wages. After deducting 1.6 per cent in commissions for the retirement fund administrators (AFORES), the percentage of wages dedicated to savings for retirement was reduced to a mere 4.9 per cent (*ibid.*).

Non-contributory pensions for the poorest featured neither in the old system nor in the new. The first universal non-contributory pension was established

³ See www.seguro-popular.gob.mx.

⁴ Published in *Diario Oficial de la Federación*, 21 December 1995, available at: www.imss.gob.mx/NR/rdonlyres/15E5C49C-4938-4966-814D-D75878A6CCF1/0/LeySeguroSocial.pdf [accessed 11 August 2009].

in 2000 in the Federal District ruled by the Democratic Revolution Party (PRD). In 2003, the right to a food allowance for residents of Mexico City aged over 70 years became law, the amount of the allowance being set at not less than half the statutory minimum wage (equivalent to about US\$65 per month). In 2009, this entitlement was extended to all of the city's residents aged over 68, i.e. about half a million people.

Programmes for tackling extreme poverty

Over the past ten years, programmes targeting the poorest of the poor have sought to encourage production, and aimed to develop beneficiaries' employability in order to improve their access to various markets. These programmes were not designed to guarantee minimum welfare levels by means of an income supplement (Barrientos, 2009). Nor are they underpinned by rights-based logic or discourse. They were implemented in pursuit of broad objectives, based on a specified allocation of resources and specific targeting criteria. The poor could not ask to join these programmes; access to the benefits was a possibility, not a legal right (Duhau, 2001; Valencia, 2005; Hevia, 2007). As has already been suggested, this was a "social policy alternative" to citizenship rights.

A typical example of the programmes introduced under the new system was *Oportunidades* ("Opportunities"), which was presented on various occasions by the World Bank as a model for action against extreme poverty. It was launched in 2002 and replaced PROGRESA (Education, Health and Nutrition Programme), which had been set up in 1997. It combined delivery of cash transfers (which functioned as demand-side subsidies), with provisions for nutritional support, health care and health education. Cash benefits included grants for school-age children and a monthly allowance per household for food. Amounts depended on the number of children, their ages and levels of education. In 2006, eligible households received US\$45 per month on average (Moreno-Brid and Pardinas, 2007). These benefits were subject to certain conditions set by the programme and, as Duhau (2001) noted, were assigned to the "deserving poor". The programme's main positive achievements were greater access to public care by previously excluded groups, higher enrolment of girls in the secondary schools of targeted regions, and improvements in the health and nutrition of beneficiary households (Valencia, 2005).

In 2006, *Oportunidades* covered 5 million families, i.e. some 25 million people – nearly a quarter of the population – almost 70 per cent of whom lived in rural areas.⁵ In spite of the programme's scope, between 30 and 50 per cent of the poorest quintile did not have access to it (World Bank, 2005), and in urban areas nearly six out of ten "extremely poor" persons did not benefit from it (Coady and Parker, 2005).

Adequate implementation of such programmes depended largely on the State's ability to provide public services in the quantity and quality required.

⁵ See www.oportunidades.gob.mx [accessed 7 August 2009].

However, this crucial requirement is far from fulfilled in the provision of health and education services. In this context, the assumption that, once the poor have entered the labour market, their work will enable them to overcome poverty appears to ignore the realities of a labour market in which access to scarce quality jobs is practically closed to people from the poorest groups. In fact, the weakest aspects of the design and implementation of *Oportunidades* centre on how people are supposed to exit from the programme (Hevia, 2007). According to the most recent evaluation, only 0.4 per cent of affiliated families had left the programme; its effectiveness in enabling people to escape from poverty is thus in serious doubt (Moreno-Brid and Párdinas, 2007, pp. 20–21).

Employment regime: Flexibilization without reform

Compared to other Latin American countries, Mexico stands out because, despite major changes in its economic policy and the refocusing of its development model, it implemented no formal reforms to flexibilize employment, so that its existing model persisted. Nevertheless, this did not prevent employment conditions from worsening, and the country came to represent a typical case of *de facto* flexibilization, with a marked decline in the levels of social protection for employees. A recent comparative study on the performance of labour institutions in Latin America (including in Argentina, Brazil, Chile and Mexico) showed that one of the reasons Mexico was able to undertake economic restructuring without legal reforms is that it is the country where the gap between law and practice is the widest (Bensusán, 2006). This is a case of “back door” institutional change. It is a regulatory model with a high compliance cost (especially for smaller firms), but a very low non-compliance cost: breaking labour law entails no consequences in most cases (*ibid.*).

Although Mexico’s laws on hiring and firing are among the strictest in Latin America, its labour market is characterized by high levels of flexibility reflected, *inter alia*, in the growth of the informal sector, of employment in small enterprises, and of the number of temporary contracts and part-time jobs, and in overall wage flexibility (OECD, 1997). According to Bensusán and Alcalde (2000a), this apparent paradox can be explained by a number of interacting factors, namely:

- imprecise laws, judicial decisions restricting workers’ rights, workers’ ignorance of their rights, and the lack of truly representative unions;
- arbitrary and growing recourse to the notion of “trusted worker”, which makes dismissal easier;
- employers’ evasion of responsibility through intermediation, subcontracting and the use of atypical contracts;
- flexibilization of collective agreements, generally with the consent of corporatist unions and even that of independent unions, though in a more bilateral manner;

- the sharp drop in wages since the 1980s, which has reduced the cost of severance pay and lay-offs.

As from the 1980s, the minimum wage ceased to operate as a mechanism for domestic market expansion. It became a tool in the fight against inflation and, eventually, the country's main comparative advantage vis-à-vis its trading partners. The tripartite National Commission of Minimum Wages (tasked with establishing minimum wage levels) and the tripartite "social pacts" concluded as from 1987 – both characterized by the subordination of workers' representatives to government policies – produced a steep fall in minimum wages by indexing them below the rate of inflation. And the downward trend went on to affect contractual wages, resulting in a general deterioration of average real wages.

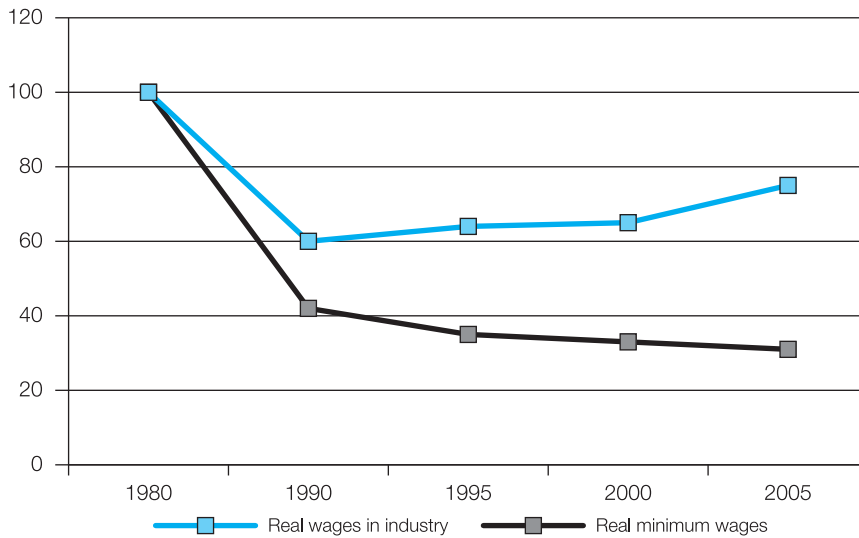
Between 1980 and 2000, the minimum wage lost 70 per cent of its purchasing power, while industrial wages fell by 35 per cent in real terms (figure 1). While the latter began to recover slowly in the 1990s – though never returning to their 1980 levels – the minimum wage did not stop declining: between 1990 and 2006, it fell by 30 per cent in real terms. Unlike most Latin American countries, where average weighted real minimum wages at the end of 2007 were 76 per cent higher than in 1990, Mexico is one of the few countries of the region where minimum wages have barely recovered the purchasing power they commanded 17 years ago (ILO, 2007).

To track trends in unionization, various authors have used the National Household Income and Expenditure Survey (ENIGH), deeming it more reliable and less biased by union "simulation" practices. They point to a significant decline since the mid-1980s – from 14.5 per cent of the economically active population in 1984 to 9.8 per cent in 2000, and remaining at the same level in 2002. The reduction was more pronounced in traditionally unionized industrial sectors where union density fell from 21 per cent in 1992 to 15 per cent in 2000 (Bensusán and Alcalde, 2000b; Herrera and Melgoza, 2003).

Contrary to what might be expected, political democracy did not bring about significant progress in the democratization of trade unions. On the contrary, the ruling party (PAN) has tended to favour "old-style unionism", which – with the employers' backing – continues to guarantee "labour peace" and continuation of the low-wage policy applied over the past 30 years.

Trade union restructuring at the end of the 1980s and into the 1990s was spearheaded by the Telephone Workers' Union (STRM) and the Federation of Goods and Services Providers' Unions established by the STRM together with the Mexican Electrical Workers' Union and unions in industries such as airlines and automotive companies. This movement – critical of the Government's economic policy and social security reform, of the privatization of the petrochemical industry, and of the opening up of telecommunications to foreign investment – culminated in the creation in 1997 of a new trade union federation: the National Workers' Union (UNT), which was independent both of the Government and of the Labour Congress. Over ten years after its creation, however, this new federation has yet to establish itself as a real counterweight to traditional unionism. On

Figure 1. Evolution of real minimum wages and real wages in industry, 1980–2005 (index 1980=100)



Source: Based on data from ILO: *Labour Overview*, various years.

the one hand, this is due to tight legal restrictions on union freedoms (e.g. the impossibility of leaving one union to join another, controls over the registration of organizations, etc.) and, on the other, it stems from the new federation's inability to turn itself into a broader-based union movement. As Bizberg (2003) points out, the National Workers' Union is effective in defending workers in firms that have successfully integrated into the global economy, but it has little to offer unions in industries that have not, or to workers in the informal sector.

Education: A challenge postponed

Historically, education's integrating function has been less successful in Mexico than in other countries of the region. This is reflected in the wide educational gap between higher- and lower-income groups, marked differences in the quality of education, and the very low levels of education attained by the poorest 40 per cent of the population (Bayón, 2006). As the average duration of school attendance increased (from 6.1 years in 1991 to 7.4 years in 2001), the gap between the poorest 20 per cent and the richest 20 per cent widened from 7.3 to 8.1 years (de Ferranti et al., 2003). As a result, Mexico is one of the countries with the widest inequalities in education in the region. In the mid-1990s, in a ranking of 19 Latin American countries, it came twelfth in terms of educational equality, and eighth in relation to income distribution (Reimers, 2000).

Despite the fact that near-universal primary education was attained in the early 1990s, disparities persisted – or worsened – at those levels of educational

attainment that are crucial to better integration into the labour market. Although compulsory education was extended to ten years in 1993, progress in school attendance by young people from lower-income groups has been very slow. In 2005, the drop-out rate among teenagers aged 15–19 years was 38.8 per cent – one of the highest in Latin America, only below those of Guatemala, Nicaragua and Honduras (ECLAC, 2007, p. 400, table 39). Middle- and high-school attendance⁶ is not only low but also highly unequal by income level: in the highest income quintile, 71.5 per cent of young people aged 20–24 complete high school, whereas only 11.9 per cent in the lowest income quintile do so (ECLAC, 2008, p. 185).

Inequality of access is compounded by the low quality of education, which shows up in the results of most primary- and secondary-school students, with successive evaluations revealing significant gaps in knowledge, language skills and proficiency, and complex reasoning and the formulation of hypotheses (INEE, 2005).

Changes in the labour market and the family

In contrast to Latin American countries with more formal labour traditions – leading to broader social protection and better compliance with labour law – Mexico's main adjustment mechanism has not been unemployment but a steep fall in wages, the growth of the informal sector and emigration.

Between 1990 and 2006, the share of manufacturing in urban employment declined from 24 to 18 per cent and that of financial activities from 5.8 to 2.2 per cent, whereas that of commerce increased from 25.5 to 29 per cent (table 3). Most employment growth occurred in micro-enterprises, unskilled self-employment and domestic employment, i.e. those sectors traditionally labelled “informal”, whose share increased from 40.8 per cent of urban employment in 1990 to 45.4 per cent in 2006 (ILO, 2007). As from 2000, job creation in the *maquiladoras* started slackening: between 2000 and 2003, almost 230,000 jobs were lost and in 2005 – in spite of a slight recovery – employment levels remained below those of 2000.⁷ Together with a sharp increase in women's share of urban employment, from 33 to 51 per cent between 1990 and 2006 (table 3), female informal employment also increased from 45.8 to 47.6 per cent (ILO, 2007).

Regarding social protection, over half of the urban employed do not qualify for contributory health insurance or pension benefits. The improvements observed between 1995 and 2000 were then reversed. Health coverage went from 45.1 of the employed urban population in 1995, to 48.9 per cent in 2000 and to 47.5 per cent in 2006, while pension coverage went from 35.5 to 44.9 per cent and 43 per cent, respectively (ILO, 2007).

⁶ Corresponding to levels 2 and 3 of the International Standard Classification of Education (ISCED) available at: http://www.uis.unesco.org/ev_en.php?ID=3813_201&ID2=DO_TOPIC [accessed 16 September 2009].

⁷ See National Institute of Statistics, at: www.inegi.org.mx/inegi [accessed 12 August 2009].

Table 3. Selected social and labour indicators, 1990–2006

	1990	1995	2000	2005	2006
Population					
Population (millions)	84	91.8	99.7	104.1	—
Life expectancy (years)	71.8	73.6	74.8	76.1	—
Fertility rate (children per woman)	3.2	2.7	2.4	2.2	—
Population aged 0–14 (millions)	38.6	35.8	33.1	30.8	—
Population aged 65 years and over (millions)	4.2	4.7	5.2	5.7	—
Labour market					
<i>Urban participation rate (percentage)</i>					
Total	51.8	55.0	58.7	59.5	60.7
Men	77.0	80.0	82.0	80.0	81.0
Women	33.0	41.0	42.0	47.0	51.0
Urban employment rate	50.3	51.6	56.8	56.7	57.8
Unregistered urban unemployment rate	2.8	6.2	3.4	4.7	4.6
<i>Employed urban population by sector</i>					
Manufacturing	24.1	19.8	23.0	17.9	17.9
Construction	5.0	5.0	5.7	7.4	7.6
Commerce	25.5	27.8	26.2	29.2	29.0
Transport and communications	5.5	6.1	6.3	6.5	6.8
Financial activities	5.8	2.1	1.6	2.2	2.2
Local, social and personal services	31.9	36.7	35.2	34.2	33.8

Sources: Based on data from ILO (2007) and ECLAC (2008).

Against this background, the number of emigrants to the United States has increased rapidly, especially since the 1990s: approximately 40,000 Mexicans leave the country every year. Emigrants' remittances to their families quadrupled between 1995 and 2004, from US\$3.7 billion to US\$16.6 billion (Lozano and Olivera, 2006). In 2005, the National Population Council (CONAPO) estimated that 11.2 million Mexicans were living in the United States, which represented some 10 per cent of the population living in Mexico in the same year.

Women's increased labour force participation together with the fall in fertility rates and in household size, and young people's longer educational attendance and higher levels of unemployment rendered the traditional "family solution" less viable (Selby et al., 1994). Indeed, that solution had relied on the existence of large multi-generational households with several members gainfully employed.

Although the labour force participation rate of married mothers has grown continuously since the mid-1980s, only a tiny proportion of them has access to a public day-care centre. However, there have been advances in pre-school education enrolment – which has been compulsory since 2002 – with an increase from 39.5 to 69.6 per cent between 1990 and 2004. In 2004, while less than a quarter of

3-year-olds attended pre-school, the enrolment rate of 4-year-olds was almost 70 per cent and that of 5-year-olds virtually universal (INEE, 2005).

Continuity of the model today

In contrast with many Latin American countries, there has been no break or adjustment in the Mexican social model that started to take shape in the mid-1980s. Quite the contrary, the current Government's policies in this field remain strikingly consistent with the pro-market orientation that has inspired social policy for the last 20 years.

In 2007, legislation was passed to change the pension scheme of public-sector workers from pay-as-you-go to individual savings;⁸ similar legislation had done this to private-sector workers ten years earlier.⁹ The new legislation largely ignores the controversial debate on pensions that has been going on in several countries in the region, namely: how to move towards more solidarity-based schemes in a context where labour instability, wage decline and discontinuous employment reduce the chances of qualifying for minimum pension for a large part of the working population.

Meanwhile, at the beginning of 2007, the federal Government launched a targeted programme providing non-contributory pensions of 500 Mexican pesos per month (equivalent to US\$45) to rural residents aged over 70 years.¹⁰ This programme is certainly less ambitious – in amount and coverage – than the one that has provided universal pensions in the Federal District since 2000.

Similar continuity is reflected in the country's anti-poverty strategy and in the tighter targeting of the *Oportunidades* programme. In the field of health care, a programme called Health Insurance for a New Generation was launched at the end of 2006,¹¹ to provide for the treatment of certain common childhood diseases in addition to the bundle of services covered by the People's Health Insurance plan. In this connection, it remains to be seen whether adequate provision has been made for the infrastructural investment that will be needed to meet the foreseeable increase in demand.

Another recent programme is concerned with day-care centres to help working mothers who earn under six times the minimum wage and have children aged between one and four years. This programme provides a monthly allowance of between 450 and 700 Mexican pesos (US\$40–60) for each child enrolled and a subsidy of up to 35,000 Mexican pesos (US\$3,400) to set up appropriately equipped day-care centres. The underlying idea is that such centres are to be run

⁸ Act on the Institute of Social Security and Services for State Employees (ISSSTE), of 29 March 2007, in *Diario Oficial*, 31 March 2007, available at: <http://www.issste.gob.mx/index2.html> [accessed 12 August 2009].

⁹ The Social Security Act, of 19 December 1995, in *Diario Oficial*, 21 December 1995, No. 16, pp. 25–63, available at: <http://www.ilo.org/dyn/natlex/docs/WEBTEXT/42406/64981/S95MEX02.htm> [accessed 12 August 2009].

¹⁰ See www.sedesol.gob.mx [accessed 7 August 2009].

¹¹ See www.seguro-popular.salud.gob.mx [accessed 17 August 2009].

by other mothers in their homes, rather than in public establishments; in other words, the programme relies on the informal sector to provide these services.

From the programmes examined so far, it can be inferred that the main features of expanded social provision – aside from targeting of the poorest – are: the small amounts involved, the low or dubious quality of the service provided, and means-testing as a prerequisite for access (being poor is not enough, one must prove it). Generally speaking, current social policy is clearly further marginalizing the role of the State, leaving the urban poor unprotected and reinforcing informal mechanisms of welfare provision, which are now directly supported by the State.

Conclusions

In recent decades, Mexico's social model has shown both continuity and breaks with the previous model. In the face of deteriorating labour market conditions and the terminal decline of the post-revolutionary regime (both of which weakened the corporatist component of the previous model), the State's role in welfare provision became increasingly residual and confined to protection for the poorest of the poor. The reforms that led to the privatization of pensions and health care exacerbated the long-standing segmentation of the system and enhanced the informal component of the earlier model by strengthening the role of the family in social protection.

At present, the same old exclusionary social model is still in place, although the policy pursued since the mid-1980s to integrate Mexico into the global economy – based on export processing zones and abundant, cheap labour – is showing definite signs of exhaustion. Low value added, the weakness of linkages with domestic manufacturing, and low-quality job-creation have cast doubt over the potential of the *maquiladora* model as a basis for Mexico's industrialization and development strategy.

Very slow progress in the extension of upper-secondary and university education and the poor quality of public education are clearly insufficient to improve the country's skills base and shift its competitiveness away from low wages. In 2006, the Federal Ministry of Education was allocated 6.9 per cent of the total federal budget, which means that the problem is not lack of resources, but rather inefficiency in their allocation and enduring bureaucratic and corporatist inertia (Moreno-Brid and Pardinas, 2007).

This context is conducive to the emergence, consolidation and entrenchment of very segmented and polarized patterns of social integration and status. It is difficult to address the ever-widening disadvantages with reductionist approaches and policies that perceive social policy as concerned only with persons in extreme poverty. Not only do such policies intensify dualism and social segmentation, but they also increase the vulnerability of all those outside the "target population", who have no access to social protection provided by the market. Public policies, both social and economic, cannot continue to "circumvent" the problem of inequality and its implications for the construction of

citizenship. Mexico will be unable to cope with the risk of social fracture it faces today unless its economic and social development strategy is redirected towards a solidarity-based inclusive model that can not only provide for the most disadvantaged groups, but also reduce poverty, vulnerability and the shocking differences in opportunity that so typify Mexican society.

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