

Among the most unequal

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At the 1995 Social Summit in Copenhagen, countries committed themselves to policies and programs to promote and protect equal opportunity and overcome disparities in wealth, both within and among nations. The fourth commitment specifically addresses promotion of social integration based on equality and respect for human dignity. Despite some progress, “Mexico is among the 15 countries with the worst concentration of income in the world.”²

Concentration of income

The National Solidarity Program reactivated social policy in 1990, in the framework of the “second generation” structural adjustment policies. This policy justified action to compensate for the adverse effects of the economic model, but subordinated this action to achievement of the goals of fiscal balance and payment of the external debt. The result was further concentration of income. The highest level of income concentration in two decades was reached in 1994. In 1995, the financial crisis affected even the richest 20% of the population. In 1998, the richest 10% gained ground once again, and participation of the poorest 20% fell to its lowest point in 20 years. The Gini coefficient was 0.4761, barely under the 1994 level.

TABLE 1

Relationship between the poorest 20% and the richest 20%		
YEAR	CONCENTRATION OF INCOME IN THE RICHEST 20% OF THE POPULATION	CONCENTRATION OF INCOME IN THE POOREST 20% OF THE POPULATION
1992	54.18%	4.28%
1994	54.53%	4.35%
1996	52.63%	4.79%

Source: Centre for Social and Economic Studies of the National Bank of Mexico (Banamex), at: www.banamex.com

Inequity is also found in the great regional and urban-rural disparities that perpetuate the vicious cycle of poverty. Among rural households living in extreme poverty, 59% lacked drinking water and 41% of the women had no prenatal healthcare; among non-poor urban households, only 5% lacked drinking water and 4.5% of the women did not receive prenatal health care.³ In 347 cities in Mexico including Mexico City, there are 25,109,452 people with inadequate services in healthcare, housing, water, sewage and electricity.⁴

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2 Luis Ignacio Román and Rodolfo Aguirre. “Economía Política y política social frente a la pobreza en México” (Economic policy and social policy in the face of poverty in Mexico). In *Los Rostros de la pobreza. El debate* (The faces of poverty. The debate). Rigoberto Gallardo and Joaquín Osorio (Coords.) México, Iberoamerican University-ITESO, 1998, p. 138.

3 Under-Secretary of Spending. *The Federation Budget*. Secretary of Treasury and Public Credit, Mexico, 2000, p. 78.

4 National Council of Population and Housing, *Geography of Urban Poverty*, 1998.

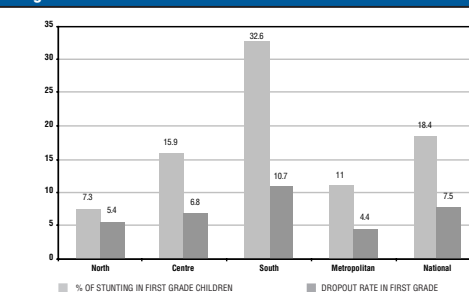
TABLE 2

Distribution of total current income by households deciles and Gini coefficient										
DECILES	1989	%CHANGE 84-89	1992	%CHANGE 89-92	1994	%CHANGE 92-94	1996	%CHANGE 94-96	1998	%CHANGE 96-98
I	1.58	-8.1	1.55	-1.9	1.59	2.6	1.79	12.6	1.50	-16.2
II	2.81	-9.6	2.73	-2.8	2.76	1.1	3.00	8.7	2.66	-11.3
III	3.74	-11.2	3.70	-1.1	3.57	-3.5	3.94	10.4	3.63	-7.9
IV	4.73	-11.1	4.70	-0.6	4.64	-1.3	4.90	5.6	4.68	-4.5
V	5.90	-7.8	5.74	-2.7	5.87	2.3	5.97	1.7	5.82	-2.5
VI	7.29	-7.3	7.11	-2.5	7.06	-0.7	7.32	3.7	7.21	-1.5
VII	8.98	-7.6	8.92	-0.7	8.74	-2.0	8.96	2.5	8.93	-0.3
VIII	11.42	-6.1	11.37	-0.4	11.34	-0.3	11.49	1.3	11.49	0.0
IX	15.62	-6.6	16.02	2.6	16.11	0.6	16.03	-0.5	15.97	-0.4
X	37.93	15.7	38.16	0.6	38.42	0.7	36.60	-4.7	38.11	4.1
GINI	0.4694	9.4	0.4749	1.2	0.4770	0.4	0.4558	-4.4	0.4761	4.5

Sources: 1984-1994, Program to Overcome Poverty 1995-2000, Official newspaper of the Federation, 2 February 1998. 1996-1998, National Survey of Household Income and Spending, INEGI.

Practically all the welfare indicators worsened in the southern states with large indigenous populations; there, the percentage of stunting in first grade children—used as a malnutrition indicator—is almost twice the national average and more than four times that of the northern region. The rate of failure in first grade also reveals a far worse scenario in the southern region.

Regional indicators



Note: The figures for each region refer to the state average.

Sources: Stunting—First National Height Census in first grade children, DIF-SEP, Mexico, 1994; Rate of failure in first grade—School Statistics, SEP.

Social development, a budget priority?

In 2000, public debt repayments were MXP 135.58 billion (USD 13.8 billion), an amount 40% greater than total allocations to social security and equivalent to three-fourths of total federal allocations to municipalities. An additional MXP 40 billion (USD 4.1 billion) was allocated to the bail out of banks. The sum of these two figures was nearly three times the entire budget assigned to social development.

In its Economic Study of México 2000, the Organisation for Economic Cooperation and Development (OECD) points out that fiscal policy goals were met, for example, though "drastic cutbacks in spending in 1998... [T]his reduction of public spending was not without consequences, since it implied postponing or cutting programs which could have been of great service."⁵ Social spending is precisely one of the areas sacrificed in budget cuts when oil prices fell (1998, 1999 and 2000). Since 1983, social spending has inevitably been reduced during each new economic and financial crisis (1983, 1985, 1986, 1995).

Insufficient employment and salaries

According to the quarterly survey of the National Institute of Statistics, Geography and Information (INEGI) on employment and unemployment indicators, only 14 million people, one-third of the EAP, have formal, permanent employment with corresponding legal benefits. The remaining 26 million people have informal or temporary jobs without social and economic security.⁶

According to the Mexican Workers University, during the presidency of Ernesto Zedillo (1995-2000), the buying power of the minimum salary fell by 40%. Data from the National Salary Protection Council shows that the highest minimum wage in the year 2000—MXP 37.90 (USD 3.98) a day—could buy only one-third of the less expensive articles of the basic family basket.⁷ According to the study, "Employment and unemployment in Mexico 1994-2000", from the Centre for Economic Studies in the Private Sector (CEESP), the proportion of workers receiving the minimum salary grew from 8% in 1994 to 10.6% in 1999, while the number of those who earn more than five minimum salaries fell from 12.4% to 11.5% in the same period. According to CEESP, 32.1% of the employed population in Mexico received between one and two minimum salaries (USD 3.98-7.96/day) and 36.6% earned between two and five (USD 7.96-19.90/day).

Trade liberalisation increases inequity

At the World Economic Forum in Cancun, the Secretary of Economy Luis Ernesto Derbez admitted that the North American Free Trade Agreement (NAFTA), signed by Mexico, Canada and the United States in 1994, "has brought Mexico an unequal

growth: wealth in the North and poverty in the South... [I]n the last decade the rate of growth in the North was 5.9%, compared with 0.4% in the South."⁸ But the impact of NAFTA on the life of millions of Mexicans goes much deeper than the differentiated regional growth. The OECD Report for April 1999 shows that worker productivity grew by 3% from 1994 to 1998, without this translating into any type of salary increases.⁹

NAFTA generated a dismantling of the national productive apparatus and the subsequent loss of millions of jobs. New jobs were created in the maquila sector, with precarious salaries, hygiene, and security. Discriminatory practices such as pregnancy tests and dismissal on the grounds of pregnancy were common. In the agricultural sector, "NAFTA has favoured privatisation that concentrates the market on a few basic grains, aggravates the nutritional security of Mexicans and undermines the security network and self-sufficiency of peasant families, mainly in the regions of peasant and indigenous agriculture."¹⁰ Trade and financial liberalisation in this sector basically favours agro-industry.

Perspectives and proposals

The presidency of Vicente Fox is just beginning, after the historic defeat of the Revolutionary Institutional Party (PRI), which was in power for 71 years. The new government inherits the unfulfilled Copenhagen commitments and the recommendations on economic and social policy, the struggle against poverty and development made by the United Nations Committee for Economic, Social and Cultural Rights in the last decade. The National Development Plan 2001 should consider these recommendations.

The government guaranteed economic continuity to the IMF and the World Bank during their annual meeting in Prague in September 2000. The present economic policy, according to Fox himself, has failed because of "bad application" and because "the structural reforms are incomplete." Reforms that carry severe social costs do not appear to worry the new president. Fox argues that the economic model must be given time to show results. He forgets that for the last 20 years and for millions of Mexicans "tomorrow" is too late. What is truly required is revision and redefinition of those policies and programs, such as structural adjustment, that aggravate poverty, inequity and exclusion in the country. ■

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5 Document from OECD's web site: www.oecd.org/publications/PoL_brief/

6 Arturo Gómez Salgado. "Sin aguinaldo dos terceras partes de la PEA, según encuesta del INEGI" (Two-thirds of the EAP without benefits, according to the INEGI survey). *El Financiero*, 6 December 2000.

7 Arturo Gómez Salgado. "Nula recuperación del poder adquisitivo con Ernesto Zedillo: obreros" (No recovery of buying power with Ernesto Zedillo: workers). *El Financiero*, 4 September 2000, p. 30.

8 Antonio Castellanos, Roberto González and Rosa Elvira Vargas. "El TLC propició en México riqueza en el norte y miseria en el sur, reconoce Luis Ernesto Derbez" (The FTA brought Mexico wealth in the North and misery in the South, admits Luis Ernesto Derbez). *La Jornada*, 27 February 2001, p. 26.

9 Report of the Organisation for Economic Cooperation and Development on Mexico. *La Jornada*, 30 April 1999, p. 59.

10 "Mexican corn producers are victims of the FTA". *El Financiero*, 22 April 1999, p. 11, quoted from a special article about NAFTA in *The Economic, Social and Cultural Rights Situation in Mexico. Alternative report by social and citizen's organisations and Mexican networks, responding to the Third Periodic Report of the Mexican government before the United Nations Committee on Economic, Social and Cultural Rights*. Mexico, D.F., November 1999, p. 109.