

Now the responsibility lies with the individuals

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Stabilisation and structural adjustment programmes adopted following the foreign debt crisis in 1982 have included the total or partial privatisation of many state companies and activities in various sectors: industrial, financial, agriculture and stock-raising, mining, infrastructure, communications, petro-chemical and even social security. Along with cutbacks in social expenditure associated with trends to privatise public and basic services, the «novelty» lies with the transfer of State responsibility to private companies.

The pace of privatisations in the country has been as dizzying as the bankruptcies caused by the government. «Out of the 1,115 government-controlled companies existing in 1983, ten years later, only 213 remained.»² The companies sold included strategic and secondary ones, some generating profits and some losing money; many were sold at prices far below their real value.

The sales lacked transparency and the destination of the resources obtained is unclear. Affected workers have suffered because of mass dismissals and changes in collective contracts. Moreover, privatisations have met with scant or non-existent State regulations to ensure the promotion of the country's economic and social development in the medium and long term. The immediate objective of reducing public expenditure to put finances on a sound footing has taken priority over objectives of a strategic nature. Irresponsibility? Incapacity? Lack of vision? Corruption? Yes. But above all, privatisation is a consequence of importing an economic «development,» market-based model that minimises the State's economic role and social responsibility to such a degree that it generates greater inequity, poverty and environmental degradation. In addition, when the privatising process touches public services, be these strategic or basic, it limits the full enjoyment of fundamental economic, social and cultural rights (ESCR).

The privatising process in the field of public services has taken many forms. In the first place, it promoted the dismantling of government institutions and deregulation of activities to encourage free market play. For example, the disappearance of the National Commission for Peoples' Subsistence (CONASUPO) in the 1990s, which used to look after marketing basic grains and the establishment of guaranteed prices, has had a negative impact on the human right to food. Secondly, privatisation formally transferred service administration to the private sector, as in the case of social security and electricity.

Social security at the disposal of private capital

Through the legislative reform of 1991, the government of Salinas de Gortari established a system of Savings for Retirement (SAR), which converted pension funds administered by the State into privately capitalised and privately administered funds. Subsequently the Zedillo government promoted the new Law for Social Security³ whereby the management of individualised accounts for each worker was handed over to the Retirement Funds Administrators (AFORE), converting the country's most important social funds into financial funds placed at the disposal of the major national and foreign financial groups. The reform also affected medical services, workers' compensation, childcare centres and other benefits, by promoting subrogation, or hiring of services

within the private sector, and by restricting social benefits by transferring them to childcare insurance.⁴

As stated in the Alternative Report on the Situation of Economic, Social and Cultural Rights in Mexico, the Mexican government tied the development of the social security sector to the interests of private capital, transforming its supportive essence of intergenerational assistance, public sharing and subsidy into an open market and ignoring social rights guaranteed both by our Constitution⁵ and by the International Covenant on ESCR.⁶

The consequences of this reform «would seem to make up a zero sum up game, where the government and the financial sector win, while most of those insured and rightful claimants, particularly those in lower income levels with less protection, run a high risk of losing.»⁷ This is a regressive measure since it has caused the loss of acquired human rights, for example by increasing the number of weeks of contributions necessary to obtain an old-age pension.

The present administration has not addressed the need to widen social security coverage or improve the quality of services, and has continued cutting back on public expenditure in this sector. Entry into social security continues to be through participation in the formal work market.⁸

Yet health sector authorities stress that it is essential to have a social security reform project which will halt the deterioration of public institutions caused by underfunding, in the face of an increase in life expectancy and a sharp ageing process. Little is said about deterioration of salaries, unemployment and cutbacks in social expenditure that also put pressure on the sector's financial system. Santiago Levy, director of the Mexican Institute for Social Security (IMSS), has pointed out that the social security system «will lose its capacity for operation within the next ten years because all the resources will be allocated to paying pensions and we will not have the money to pay for drugs, children's day-care centres or any other additional programmes.»⁹ As for proposals, he has suggested the need to reduce certain

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2 José Agustín, *Tragicomedia mexicana 3: La vida en México de 1982 a 1994*. México: Editorial Planeta, 1998, p. 192.

3 In force since July 1997.

4 Based on an analysis by Asa Cristina Laurell. *No hay pierde: todos pierden. Lo que usted necesita saber sobre la nueva ley del Seguro Social*. Instituto de Estudios de la Revolución Democrática-Coyuntura, 1996.

5 Part XXIX of article 123 on protection and welfare of workers, peasants and other social sectors and their families.

6 Article 9 on the right of all people to social security, in force in Mexico since 1981.

7 Ma. de Lourdes Fournier and Pedro H. Moreno. «Los problemas de la reforma zedillista de la seguridad social», in: Enrique Valencia Lomeli, coordinator. *A dos años: la política social de Ernesto Zedillo*. Red Observatorio Social, Mexico 1997, p. 202.

8 The social security institutions, Mexican Institute for Social Security (IMSS) and Institute for Insurance and Social Services for State Workers (ISSSTE), provide medical services and social coverage to 56.6% of the total population, comprising: 14.9 million active workers from IMSS and ISSSTE, 2.3 million pensioners (1.9 million from IMSS and 411 thousand from ISSSTE), 35 million families from both beneficiary groups. Source: Office of Economic Analysis. Communal Consultants. Newspaper *La Jornada*, 17 June 2002, p. 3.

9 Ciro Pérez Silva and Miriam Posada. «El IMSS, en riesgo de perder su capacidad operativa: Levy.» Newspaper *La Jornada*, 24 September 2002, p. 12.

benefits «in some way», increase «gradually and prudently the minimum age of retirement of workers» or «carefully» explore the option of co-insurance or co-payment.¹⁰

The gradual and silent process of health service privatisation in Mexico is set in this framework, as part of the structural reforms dictated by the international financial institutions. The modalities of this privatisation are: 1) fees for public services; 2) the subrogation of auxiliary services; 3) managerial administration and funding methods; and 4) the sale of assets or services. The most important modality in our country is «medical care covered by private insurance. The central objective is to solve health problems in the most radical way, offering private initiative a profitable and guaranteed market.»¹¹ What drives this process is «de-capitalisation and deterioration of social security and the offer of an individualised solution.»¹²

De-capitalisation of the sector has been taking place with the decrease in the budget for certain lines of healthcare and cutback of social expenditure due to the fall in oil prices. According to figures of the Finance Ministry, in 1999 cutbacks to the IMSS were MXP 1.693 million (USD 178.72 million) and MXP 97 million (USD 10.24 million) to the ISSSTE. In 2000 cutbacks were MXP 100 million (USD 10.11 million) to the Health Ministry, MXP 700 million (USD 70.80 million) to the IMSS and MXP 300 million (USD 30.34 million) to the ISSSTE. During 2002, cutbacks to the IMSS were MXP 2.5 billion (USD 245.94 million).

Furthermore, the Under-Secretariat for Disbursements of the Secretariat for Finance and Public Credit maintains that over the next years «it will be difficult for more public resources to be available for the health sector.»¹³ However, this lack of resources is only a myth; it is enough to see the government's priorities in the disbursement budget of the Federation. For example, resources for the prevention and control of HIV/AIDS do not even represent one percent of what the government has invested in rescuing private banking since 1995.¹⁴ Nevertheless, the health budget was cut again in 2002, and amidst this scenario, the Health Secretary, Julio Frenk, has on several occasions mentioned the possibility of establishing a generalised «peoples' insurance» which would rely on the ability of families to pay. The government's proposal, though not yet laid out in detail, is worrisome since it would not expand coverage of the present public service, but rather would transfer costs to individuals. That is, the peoples' insurance would not be a right but a commodity to be purchased by those who can pay for it. In a context of poverty and extreme poverty, such as the one experienced in Mexico, families do not have «surplus» to pay for such insurance.

Electricity decapitalised

Since 1995 in the World Bank (WB) Country Assistance Strategy (CAS) the privatisation of the national electric industry has been advocated. Technical assistance for the privatisation of infrastructure was considered a key strategic area and USD 30 million were allocated for this project in 1995. In the 1998 CAS Progress Report, the WB called on the Mexican government to privatise the electricity and oil sectors as a condition for international economic aid and WB-guaranteed support for private investment in the country.¹⁵ The 1999 CAS underscored that privatisation of some sectors, such as electricity, was still on the agenda.

Furthermore, in the Letter of Intent and the Memorandum of Economic and Financial Policies of the Mexican government sent to the IMF in June 1999, it was specified (paragraph 9) that «the government will contribute to increasing investment through its plans to expand basic infrastructure, including co-investment with the private sector and with the participation of this sector in

areas that were previously reserved to the State, such as the generation of electricity... This is the reason for the Government having sent a bill to Congress to allow competition on the electricity market and attract private investment to the electric industry.»¹⁶

Wide social and trade union opposition successfully halted this initiative. However, the present government maintains its intentions, and although inside the country President Vicente Fox promises that the electric industry will not be privatised, the offer has been reiterated to foreign investors on various occasions. The possible consequences of greater private investment in this sector are an increase in electricity rates, compromise of labour rights, and loss of control over an industry that is strategic for the development of the country. Additionally, as maintained by experts in this issue, the Mexican Electricians Union (SME) and democratic sectors of the General Trade Union of Electricity Workers of the Mexican Republic (SUTERM), this sector is not in crisis therefore privatisation is not necessary. In fact, in the last few years the government has been decapitalising it with systematic cutbacks on public expenditure. It is worth noting that over the last 50 years this national industry has consistently grown, demonstrating capacity and efficiency.

Conclusion

The Mexican State continues to ignore social protection, which it is obliged to provide under the terms of economic, social and cultural rights agreements, while the process of impoverishment of the population advances and disparities increase. In 1995 official figures showed that 42% (40 million people) of the Mexican population lived in poverty; in 2000, the poor increased to 53.7%¹⁷, representing 45.9% of the total number of Mexican homes. Of these, 60.7% are located in rural areas and 37.4% in urban zones. In just five years the number of poor increased by over 10 million people.

TABLE 1

Proportion of the poor population in Mexico, 2000 (% of total population)		
Nutrition poor	Urban	12.6
	Rural	42.4
	National	24.2
Capabilities poor	Urban	20.2
	Rural	50.0
	National	31.9
Assets poor	Urban	43.8
	Rural	69.3
	National	53.7

Source: Under-Secretariat for Planning and Assessment of the Secretariat for Social Development

Faced by this alarming situation, what is President Fox's government doing? It is not redefining the economic policy, but rather emphasizing structural adjustments, including cutbacks on social expenditure associated with privatising public and basic services. It is reducing social policy to a single strategy and programme against poverty, maintaining the compensatory, narrowly focussed assistance approach used by the previous administration. Finally, there is a «new» ingredient, added by the president of the Republic himself: the promotion of human – but not social – development by transferring State responsibility to private companies, using a «telethon» scheme of promoting the philanthropic work of private foundations to satisfy basic needs instead of designing and applying appropriate public policies. ■

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10 Declarations in the framework of the annual meeting of the Inter-American Conference on Social Security, Mexico City, 7 October 2002.

11 www.unam.mx/prolap/maingomex.html (synthesis by Thais Maingón and Cristina Torres of case studies entrusted by the Pan American Health Organisation to Asa Cristina Laurell and María Elena Ortega in 1991).

12 *Ibid.*

13 Angélica Enciso L. «Necesaria, la participación privada en servicios de salud: Hurtado López». Newspaper *La Jornada*, 30 July 2002, p. 3.

14 www.shcp.gob.mx and *La Jornada*, 5 June 2002, p. 48, Section on Society and Justice.

15 Sonia Del Valle. *Servicio Diario de Información de CIMAC, Comunicación e Información de la Mujer*, A.C., 18 February 1999; its Internet site is <http://www.cimac.org>

16 www.shcp.gob.mx

17 The most recent information available to the Technical Committee on Poverty Measurement, Secretariat for Social Development, is 2000 data. Moreover, the expert and academic, Julio Boltvinik, affirms that the proportion is higher, between 70% and 75%.