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Poverty Reduction in Mexico Has Stagnated Over Two Decades

by Carlos Navarro

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Mexico's efforts to fight poverty have stagnated during two decades despite government programs like Oportunidades, which are designed to help poor families obtain necessities. The trend for the period from 1992 to 2012 was noted in reports produced by Mexico's social development council (Consejo Nacional de Evaluación de la Política de Desarrollo Social, CONEVAL) and the World Bank, which then used the data as part of a broader report on poverty in Latin America.

The report from the World Bank said poverty in Mexico, as measured by income, has "been volatile during the greater part of the past 20 years," reaching its highest level in 1996 and declining steadily until 2006 before increasing significantly in the ensuing six years. "Not only has economic growth been weak in recent years, but there has also been a disconnect between growth and the reduction of poverty," the World Bank said in a report entitled "Shared Prosperity and Poverty Eradication in Latin America."

Even though Mexico and Brazil have the two largest economies in the Americas, they also are home to the highest number of people experiencing extreme poverty. "More than 75 million people are still living in extreme poverty in the region, half of them in Brazil and Mexico, and extreme poverty rates (using the US\$2.50-a-day per capita line) are above 40% in Guatemala and reach nearly 60% in Haiti," said the report. "This means that extreme poverty is still an important issue in both low- and middle-income countries in the region."

Cash-transfer programs have not reduced poverty

The poverty rates have remained stagnant in the past two decades despite the existence of anti-poverty programs like Oportunidades, which was previously called Progresá. The program focuses on helping poor families in rural and urban communities invest in human capital by improving the education, health, and nutrition of their children.

"By providing cash transfers to households (linked to regular school attendance and health clinic visits), the program also fulfills the aim of alleviating current poverty," said a recent World Bank report.

The CONEVAL report pointed out that the purchasing power of Mexicans has slipped considerably, offsetting some of the benefits of government social programs. "This not only implies a failure of economic and social development but also demonstrates that poverty cannot be reduced despite an increase in coverage of basic services, such as education, health, and housing," CONEVAL said.

Recent studies from economist Genaro Aguilar of the Instituto Politécnico Nacional (IPN) show the administrations of former Presidents Vicente Fox (2000-2006) and Felipe Calderón (2006-2012) devoted about 80 billion pesos (US\$5.25 billion) to Oportunidades per year during their administrations. Prospera, the new name of the program under President Enrique Peña Nieto,

receives a budget of 74 billion pesos (US\$4.9 billion) to serve about 6.1 million families experiencing poverty.

The CONEVAL report says the government does not spend enough on education, as evidenced by the 22.6 million Mexicans who have an education deficiency. This includes children ages 3 to 15 who are not receiving the compulsory basic education. In addition, a large segment of the population born before 1982 did not complete primary education, and another segment born after 1982 does not have a secondary education.

CONEVAL also noted that 25.3 million Mexicans do not have access to health care.

Additionally, the report confirmed a high rate of poverty among indigenous communities. Slightly more than one-fourth (26.6%) of Mexico's indigenous population suffers from extreme poverty, another 45.4% is facing moderate poverty, and another 20% is in a vulnerable situation because of a lack of basic services.

Some observers wondered whether the funds allocated to help alleviate poverty have actually served their intended purpose. "The expenditures to fight poverty increased from 15.9 billion pesos (US\$1.05 billion) in 1994 to 310.3 billion pesos (US\$20.3 billion) in 2012, with figures adjusted for inflation," columnist Sergio Sarmiento wrote in the daily newspaper Reforma. "Despite this 20-fold increase, the poverty rate measured by CONEVAL just barely declined to 52.3% of the population in 2012 from 52.4% in 2014. Perhaps the enormous growth in expenditures has served to create a large bureaucracy or to line the pockets of some politicians. It has certainly not gone to reduce poverty."

Poverty numbers increasing

Even though the data on poverty takes into account statistics from 1992 to 2012, poverty rates increased significantly in the last two years of the 20-year period. According to CONEVAL, the number of Mexicans experiencing poverty grew from 52.8 million in 2010 to 53.3 million in 2012. A report from the US-based Wilson Center shows there was a steady decline in poverty between 2000 and 2006, but the numbers began to creep up during the ensuing years, growing most significantly between 2010 and 2012.

A separate report issued recently by the Inter-American Development Bank (IDB) said a high number of Mexicans who are currently considered lower middle class are in danger of falling into poverty. "In between those suffering moderate poverty and those who are considered middle class, there is a segment of the population that is highly vulnerable because of the poor income distribution in Mexico and the fragile nature of the country's safety nets," said the IDB, which estimated that about 37% of Mexico's population falls in this category.

The middle class, which comprises about 23% of Mexico's population, is also under threat if economic conditions do not improve in Mexico, said the IDB. "The middle class has a risk of falling into poverty because of the possibility that in a period of 10 years there could be a period of economic insufficiency," said the report.

The IDB said 19.9% of Mexico's population suffers from extreme poverty and 17.6% from moderate poverty. Another 1.7% of Mexicans falls in the high-income category. [Peso-dollar conversions in this article are based on the Interbank rate in effect on April 29, 2015, reported at 15.23 pesos per US \$1.00.]

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