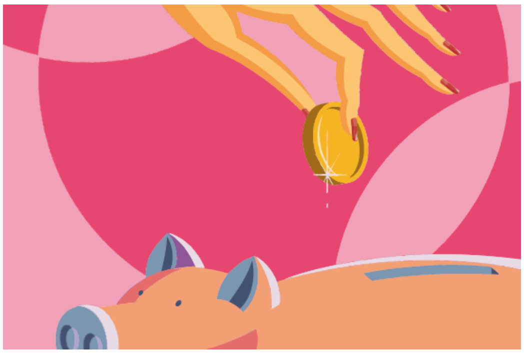


Pensions at a Glance 2013

OECD and G20 Indicators

MEXICO

- **Future replacement rates for full career workers in Mexico are the lowest in the OECD.**
- **More than one in five Mexican people aged over 65 live in poverty. This is the third highest level in OECD countries.**

Future pension gross replacement rates for Mexican average earners are the lowest in the OECD. People entering the labour market in 2012 and retiring after a full-career can expect a pension entitlement amounting to 28.5% of their lifetime average earnings, while low-earners can expect a pension entitlement which will replace around 78% of their earnings. These projections are based on the standard OECD assumptions, including annual real wage growth of 2% and a real rate of return on pension savings of 3.5%, net of administration fees.

However, many Mexican workers will have no or only very low pension entitlements. Despite being mandatory, the private pension scheme covered only 57.7% of the working-age population in 2010, reflecting the large share of informal employment in Mexico. Moreover, many workers contribute only irregularly to the pension system and when they do, contributions are often low. While the Mexican pension system includes a minimum pension, only those who have contributed for at least 1,250 weeks are eligible.

Pension replacement rates for average and low earners

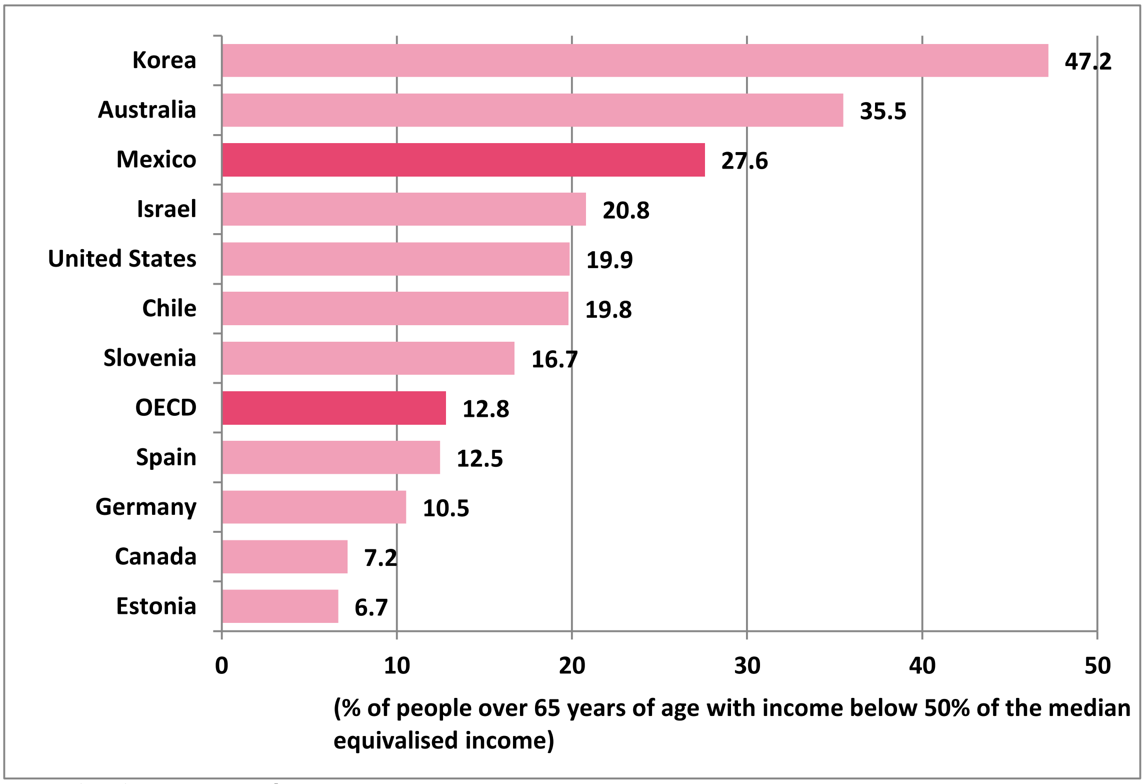
Source: OECD (2013), Pensions at a Glance 2013

Mexico has the third highest old-age poverty rate in the OECD, after Australia and Korea: 27.6% of those aged over 65 were at risk of poverty in the late 2000s.Poverty rates were higher among the oldest-old: 29% of the over 75 year olds were income-poor compared to 26% among people aged between 66 and 75.

There are a number of federal and regional social programmes to fight against poverty in old-age. The federal programme *70 y mas* targets people aged 70 and over; it was originally restricted to certain rural areas and paid a pension benefit which was not adjusted for inflation. In February 2013, eligibility to the program *70 y mas* was extended to all people aged 65 and over. At the same time, an income-test was introduced, which stipulates that the pension should be paid to every Mexican aged 65 and over who is not receiving any other pension.

The constitutional reform of October 2013 recognised the right to a pension in old age as a means to lower poverty among the elderly. However its real effectiveness will depend on the details of the reform and, in particular, on the criteria used in the income-test.

Old-age income poverty rates late 2000s



Source: OECD (2013), Pensions at a Glance 2013

Key indicators

		Mexico	OECD
Gross replacement rate	Men - Average earner (%)	28.5	54.4
	Men - Low earner (%)	55.5	71.0
	Women - Average earner (%)	27.7	54.4
	Women - Low earner (%)	55.5	71.0
Public pension spending	% of GDP	1.7	7.8
Life expectancy	at birth	77.3	79.9
	at age 65	18.7	19.1
Population aged 65 and over	% of working-age population	11.4	25.5
Average worker earnings (AW)	MXN	94 100	553 600

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations are for a full-career worker entering the labour market in 2012. Low earner is assumed to earn 50% of the average.

Source: OECD (2013), *Pensions at a Glance: OECD and G20 Indicators*

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2012. Low earner is assumed to earn 50% of the average. Source: OECD (2013), Pensions at a Glance 2013: OECD and G20 Indicators.

Notes to editors:

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OECD and G20 Indicators

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The report includes pension indicators for the OECD member countries and G20 economies with 2012 pension rules and parameters. There are two special chapters on (i) distributional impact of reforms; (ii) future retirement income adequacy, the role of housing, financial wealth and publicly provided services.

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