



scienceevolution

ISSN: 2810-8728 (En línea)

4.12

OCTUBRE - DICIEMBRE 2024

Scientific Article

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UNIVERSAL BASIC INCOME IN MEXICO: LESSONS FROM THE PENSION FOR THE WELL-BEING OF OLDER ADULTS

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Received: October, 31, 2024

Publisher: January, 15, 2025

ABSTRACT

This study examines the potential of Universal Basic Income (UBI) in Mexico, using the Pension for the Well-being of Older Adults (PBPAM) as a case study. The objective is to analyze how the PBPAM could serve as a precedent and model for implementing a broader UBI in the country. The methodology combines qualitative and quantitative analysis, including document review, analysis of official data and international comparison. The results show that the PBPAM has had a positive impact on poverty reduction among older adults, with a decrease of 11.4 percentage points between 2016 and 2022. The programme doubled its beneficiaries and increased its budget nearly tenfold since 2018. Projections suggest that a full UBI could significantly reduce multidimensional poverty and almost eradicate extreme poverty in Mexico. It is concluded that, whilst implementing a full UBI faces significant challenges, the experience of the PBPAM provides valuable lessons for its gradual implementation. The study recommends exploring an age-based UBI, developing a comprehensive welfare measurement system and conducting rigorous evaluations before and after implementation.

Keywords: Universal Basic Income; Pension for Well-being; Economic Inequality; Social Policy; Unconditional Transfers.

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INTRODUCTION

Universal Basic Income (UBI) has emerged as a pivotal topic in the realm of public policy and global social development. This concept, which proposes unconditional cash transfers (UCTs) to the entire population, has garnered significant interest as a potential solution to the challenges of inequality and poverty faced by many contemporary societies

Economic assistance programs and social policies have sparked discussions about UBI in Mexico. Likewise, from a liberal perspective on social policy, the Mexican government has developed assistance programs where beneficiaries are not only considered rights holders but are also recognized as the recipients of such assistance. In this sense, Mexico's social policy has undergone changes following the implementation of the PBPAM in 2019. This regulation traces its origins to earlier initiatives, such as the Programme of Food Support for Adults over 68 years old living in Mexico City in 2001, which introduced a novel approach to an unconditional and universal cash transfer model.

In this context, this study addresses the challenges affecting social minorities and the persistent inequality in Mexico, revealing inequality not only in income distribution, but also in the access to rights and opportunities across different population groups. Despite important progress reflected in certain socioeconomic indicators, Mexico remains one of the countries with the highest levels of inequality among the members of the Organisation for Economic Cooperation and Development (OECD)

This research aims to analyze the potential of UBI in the Mexican context, using the PBPAM as a case study to assess whether this program can serve as a precedent and model for the implementation of a broader UBI in the country. The specific objectives are: to evaluate the impact of the PBPAM on reducing poverty and inequality rates among the elderly population; to analyze the fiscal and public policy implications of expanding unconditional economic assistance programs; and finally, to explore the challenges and opportunities of implementing a full UBI in Mexico.

This research is justified by the need to reduce inequality in Mexico and to analyze innovative policies that promote equitable resource distribution and opportunities, benefiting elderly minority populations. For this reason, it is relevant to use the study of the PBPAM as a potential precedent for implementing a broader UBI. This approach provides valuable insights for policymakers and enhances the dialogue on addressing social issues such as inequality and poverty

Furthermore, this study is also set within a context of growing global interest in implementing UBI, as evidenced by pilot programs launched in various nations. In Mexico, the PBPAM serves as a case that offers new insights for shaping discussions and determining whether basic income policies can be effective in developing economies. Finally, the study seeks to raise social awareness about how unconditional cash transfer policies can transform both social and economic relations, promoting equity and justice within society.

Thus, by thoroughly examining the case of the PBPAM and its potential expansion into a UBI, this research aims to provide evidence and make recommendations that could guide future policymakers in Mexico and other similar countries that are also focused on addressing issues such as poverty and inequality.

METHODS

Based on the work of Medina-Romero et al. (2023), this mixed-methods research aims to analyze the consequences and feasibility of implementing UBI in Mexico. Additionally, by selecting the PBPAM as a case study, a detailed analysis was conducted to support the development of a similar initiative to the one under evaluation.

First, a comprehensive review and analysis of various studies were undertaken, including government reports, academic articles, and other public documents, both national and international, as long as they were recent and focused on UBI or similar policies. This process resulted in a theoretical framework supported by credible sources and a study grounded in



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up-to-date information on the topic at hand.

Second, focusing on the elderly population, data from the National Institute of Statistics and Geography (INEGI by its initial in Spanish) and the National Council for the Evaluation of Social Development Policy (CONEVAL by its initial in Spanish) were analyzed to gather insights on income distribution in Mexico, the evolution of the Gini coefficient, and changes in poverty levels.

Third, based on the work of Hernández-Sampieri & Mendoza (2018), a longitudinal approach was employed to examine the PBPAM, contrasting data from before and after the program's implementation. Additionally, basic goods' key variables such as the actual pension amount, budget, and the number of beneficiaries were taken into account. This analysis ultimately served to evaluate the potential and implications of using this program as a precedent for implementing UBI in Mexico.

Likewise, insights from similar international programs were considered to broaden and deepen the analysis, aiming to replicate these experiences in the potential future implementation of UBI in Mexico.

Finally, using CONEVAL's methodology, both quantitative and qualitative estimations were conducted to assess the consequences of implementing a UBI program across various scenarios in Mexico, as well as the challenges this would pose for Mexican institutions and society.

The present study was developed with a multidisciplinary approach, integrating knowledge from public policy, economics, and political science to evaluate the implementation of UBI in Mexico. It also considered the social and political impacts of such programs, resulting in a more comprehensive understanding of the phenomenon.

RESULTS

Since 2018, as a primary result, the PBPAM has seen a significant increase in its coverage, doubling the number of beneficiaries to reach 6.8 million individuals. This expansion represents a crucial step toward improving social protection for the elderly population in Mexico.

Simultaneously, the program's budget grew substantially. In general terms, it increased from 39 billion pesos to 335 billion pesos, nearly ten times the initial amount. This growth in funding reflects a clear commitment to the well-being of older people, both politically and financially.

Another significant finding was the perceived real value of the pension received by older adults. For the first time since the program's inception, the amount granted exceeded the value of the basket of goods. After 2019, the pension corresponded to 114% of the basket good's value, and by 2023, it had reached 144% (Escamilla & Ávila, 2019; CONEVAL, 2019; Secretaría de Bienestar, 2019, February 28). As observed, this improvement allows the PBPAM to be established as an unconditional basic income with a significant economic impact on the individual and collective incomes of older adults (Haagh, 2017).

The analysis of data from the 2022 National Household Income and Expense Survey (ENIGH by its initials in Spanish) revealed a significant reduction in the poverty rate among the elderly population. A decrease of 11.4 percentage points was observed, from 42.5% in 2016 to 31.1% in 2022 (Consejo Nacional de Evaluación de la Política de Desarrollo Social, 2022). In addition, this outcome highlights the positive impact of the PBPAM on poverty reduction within this demographic, showing the benefits of unconditional cash transfers as a tool for social policy.

Regarding overall inequality in Mexico, it was found that the Gini coefficient decreased from 0.506 in 2016 to 0.413 in 2022. While this reduction is noteworthy, Mexico remains one of the most unequal countries among members of the OECD (2017). For this reason, this underscores the ongoing need to implement redistributive policies to address the persistent inequality in the country.

The importance of affirmative actions in the implementation of the PBPAM is also highlighted. It was found that prioritizing historically marginalized groups, such as the Indigenous population, contributed to greater inclusion and equity in program access. Specifically, Indigenous individuals aged 65 and older were prioritized for registration, compared to the requirement of 68 years for other beneficiaries, acknowledging the particular vulnerabilities faced by this minority group



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(Secretaría de Bienestar, 2019, February 28).

The PBPAM featured a key aspect in its design as an unconditional transfer. This approach was based on the premise that beneficiaries are the main decision-makers regarding their own needs, contrasting with traditional conditional programs. This characteristic represents a paradigm shift in Mexican social policy, moving away from an Assistance-based Approach toward one that acknowledges the autonomy and dignity of its beneficiaries.

Comparative analysis with international experiences and projections suggest that a full UBI in Mexico could have a significant impact on poverty reduction. According to estimates based on CONEVAL's methodology, a UBI by age could reduce multidimensional poverty to below than 30% and moderate poverty to 25.2% (Marín, 2018). Even more striking, a full UBI could nearly eradicate extreme poverty, lifting almost 10 million people out of that condition (Marín, 2018). Furthermore, several institutional challenges for the implementation of a UBI in Mexico were identified, including:

- Ensuring long-term financial sustainability of the program
- Changing perceptions about productivity and labor related to unconditional transfers
- Developing a more comprehensive and meaningful quality-of-life evaluation system within the income-based poverty rate
- Promoting the inclusion of historically marginalized groups through an intersectional approach

Finally, specific suggestions are proposed to advance in the implementation of a UBI in Mexico:

- Analyze the development of a UBI by age groups, based on the experience of the PBPAM
- Develop a quality-of-life evaluation system to replace the current poverty measurement
- Conduct detailed evaluations before and after the implementation of any UBI program

These results provide significant evidence regarding the potential of unconditional cash transfers as a strategy to address inequality and poverty in Mexico, laying the foundation for forthcoming debates on the implementation of a UBI in the country. Likewise, the experience of the PBPAM offers valuable lessons and a reference for the gradual adoption of a more extensive UBI in Mexico.

DISCUSSION

Taking the PBPAM as a model, the analysis of UBI in Mexico shows both theoretical and practical dimensions in the social and economic field.

First, the traditional social policy in Mexico, which is based on conditional cash transfers, is analysed and compared with the universal rights-based approach of the UBI and the PBPAM. This comparison shows a paradigm shift on the way people are protected, shifting from an Assistance-based Approach toward one that acknowledges the autonomy and dignity of its beneficiaries. Moreover, this shift is related to Rawls' theories of social justice (Caballero, 2006), promoting an equal distribution of resources and opportunities in society.

The implementation of the PBPAM is analyzed from the theories of social inequality and justice. In addition, it is observed that the program has reduced poverty among older adults, aligning with the principles of distributive justice by Rawls (1971). However, the study indicates that Mexico remains as one of the most unequal countries in the OECD, suggesting that although the PBPAM is a positive step, more efforts are still needed to reduce structural inequality.

When analysing the PBPAM as a predecessor of UBI in Mexico, questions about the feasibility and effectiveness of a full UBI are brought into attention. Likewise, the ideas of Marín (2018) on how a UBI could play a role in poverty reduction are compared with the current situation of the PBPAM. This comparison suggests that while a full UBI could have a greater effect, implementing the program gradually through programs like the PBPAM seems to be a more viable approach in Mexico.

In addition, there is tension between UBI universality and the need for affirmative actions for historically marginalized groups. It is also argued that prioritizing vulnerable groups, such as the inclusion of indigenous people, in the implementation of the PBPAM, serves as an integration model of universal principles with specific approaches to mitigate structural inequalities. This



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perspective aligns with the ideas of Ferrajoli (2010) on substantive equality and affirmative actions as tools for achieving true equity.

Based on the work of Piketty (2020), this study views equality as a social construct. In this sense, the PBPAM is seen as a program with the potential to implement a new way of distributing both resources and opportunities within social groups. This perspective differs from the orthodox vision that assumes that inequality is predetermined or “natural”.

A key aspect of this study is how to measure the impact of these programs. It questions whether traditional indicators of poverty and inequality, such as Gini coefficient, are enough, proposing the need of developing more detailed indicators that capture qualitative aspects of well-being. This perspective aligns with in-depth discussions that are developed within the area of development economics, highlighting the importance of overcoming solely monetary indicators of well-being and integrating factors such as quality of life, social participation, and access to rights.

Likewise, as proposed by Morlino (2014) on the quality of democracy, the PBPAM program is analysed from a broader perspective in relation to democratic theory; i.e. considering the participation of all citizens.

It is argued that initiatives such as the PBPAM program and a potential full UBI could contribute to improving democratic quality by reducing economic and social inequalities that restrict citizens' effective participation.

Afterwards, in the analysis of the implementation of a UBI in Mexico, the study also considered both financial and institutional obstacles. Hence, following a detailed comparison of the possible implementation of a UBI with other cases where the PBPAM was implemented, it is concluded that it is important both to evaluate the profitability and to apply policies that help improve its impact. Also, based on the work of Widerquist et al. (2013), the impact of different UBI models (full and partial) was evaluated, considering essential aspects of Mexican social policy and economic limitations.

Thus, according to Granados (2018), conducting a critical analysis comparing both the PBPAM and UBI reveals broader discussions on social justice, inequality, and public policy in Mexico. Likewise, based on the work of Gonzáles (2016), the obstacles and opportunities that may arise when implementing UBI-related policies in developing countries with high levels of inequality can be better understood thanks to this type of analysis. Ultimately, it should be highlighted that in order to implement policies aimed at universal social protection not only it is important that they are applied and adaptable, but it also should be acknowledged the difficulties of implementation with limited resources, and underlying structural inequalities.

CONCLUSIONS

This study used the Pension for the Well-being of Older Adults (PBPAM) as a reference case to address the Universal Basic Income (UBI) in Mexico. In addition, it led to relevant findings regarding the potential of unconditional cash transfer policies to face inequality and poverty at national level.

The research found that the PBPAM had a positive impact on the project of reducing poverty among the older adult population in Mexico. Furthermore, this is supported by the program's results, which doubled its beneficiaries by incorporating 6.8 million additional people, while also experiencing a significant budget growth, increasing from 39 billion to 335 billion pesos. This increase allowed the real value of the pension to surpass, for the first time, the basket of goods, reaching 1.4 times its value in 2023.

Results from the 2022 National Household Income and Expense Survey (ENIGH) revealed that poverty levels among the older adult population decreased, from 42.5% in 2016 to 31.1% in 2022, by 11.4 percentage points. Moreover, the percentages reveal that unconditional cash transfers operate as a positive tool in addressing inequality and poverty among vulnerable social groups.

Likewise, this research highlights the positive consequences of implementing public policies. It also demonstrated that the PBPAM, by addressing structural inequalities, can combine basic universal principles with various perspectives on prioritizing groups that have long suffered discrimination, such as indigenous populations.

It is concluded that the PBPAM offers beneficial results for the potential implementation of a



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more inclusive UBI at national level. Moreover, it was observed that a full UBI could have an important impact on poverty reduction, with projections estimating that multidimensional poverty could drop to below 30%, while extreme poverty could be partially eradicated.

However, the study also identified the challenges faced in implementing a UBI in Mexico, including the need to ensure long-term financial sustainability, changing perceptions about productivity and work, and creating a more inclusive well-being measurement system.

Based on the results, it is recommended to consider a gradual implementation of a UBI in Mexico, initially considering applying an age-based UBI program based on the PBPAM experience. It is important to develop a well-being evaluation system that not only focuses on income-based poverty, but also incorporates qualitative factors that allow a detailed assessment of access to rights in Mexico.

Furthermore, it is recommended to conduct continuous evaluations before and after implementing any UBI program to monitor outcomes during its execution. Besides, it is essential to consider fiscal sustainability and design complementary policies that strongly support the outcomes of these interventions. Besides the aforementioned, the importance of promoting the inclusion of historically marginalized populations through an intersectional approach is highlighted, allowing recognition of the different obstacles in access to rights that affect an individual or minority group.

Therefore, as Mexico continues to face high levels of social inequality, the research recommends that a UBI could serve as a key tool in reducing, and even mitigating economic and social inequalities in the country. In this context, the experience of the PBPAM shows the potential of unconditional cash transfer, an improvement in the quality of life of vulnerable groups and, at the same time, offers a valuable model for the gradual implementation of broader social protection policies.

Finally, to establish a UBI in Mexico, the design and implementation of a detailed strategy focused on ensuring universal social protection will be essential. This approach could contribute to building a more fair and equitable society, where all citizens have access to a minimum basis of economic security, as well as the opportunity to fully develop.

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