

# Extension of Social Security to Rural Workers in Mexico

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## Introduction

THE PURPOSE of this article is to survey the problems facing the Mexican social security system in its efforts to extend its programmes to rural workers. In a first section, dealing with general considerations, emphasis is laid on the significance of these programmes in the context of national development and of the general and specific problems of Mexican agriculture. The internal and external factors affecting social security institutions in Latin America are analysed, with special reference to Mexican practice, and the institutional changes made in the social security system in order to adapt its legal, administrative and financial structure and its actual coverage to the particular requirements of Mexican agricultural workers are described. The criteria underlying the plans for extending the programmes of the Mexican Social Security Institute (IMSS) are then discussed, and the article concludes by examining the present situation of social security in urban and rural areas and its integration with policy-making at the national level.

With the urgent need for social security institutions to extend their coverage to the agricultural sector (which in the Latin American countries lags behind the other protected sectors) there is increasing interest on the part of international organisations in efforts to achieve this objective. A substantial number of studies, inquiries and exchanges of experience have resulted, providing the countries concerned with guidelines respecting the basic principles to be observed and the techniques to be used.

In the matter of standard-setting, it should be recalled that very soon after it was set up the International Labour Organisation began adopting Conventions and Recommendations laying emphasis on the need for member countries to grant agricultural workers the benefits of social security in conditions similar to those applying to other protected groups.<sup>2</sup>

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<sup>2</sup> Reference may be made in this respect to Conventions Nos. 12, 17, 25, 36, 38, 40, 101 and 110, which deal with various aspects of social security in agriculture.

Ever since its first meeting at Santiago de Chile in 1936 (when it adopted a resolution on the fundamental principles of social security) until its ninth meeting, held in Caracas in 1970, the Conference of American States Members of the ILO has consistently underscored the importance of progressively broadening the scope of social security as an instrument of genuine social policy, pointing to the necessity for a dynamic approach adapted to the individual social and economic structures of the countries concerned. As the ultimate objective is the full protection of rural workers, and in view of the difficulty of financing such programmes, the accent has been placed—since the Ottawa Plan for Human Resources Development<sup>1</sup> was drawn up—on reliance on national solidarity.

The International Labour Office has also undertaken studies of social security in agriculture which are not exclusively descriptive, but point to the possibility of restructuring these programmes in the light of experience gained in the countries of the region.

For its part, the Inter-American Conference on Social Security has devoted particular attention to this matter. Its various declarations and resolutions are based on the axiom that the protection of the American social security institutions should be afforded to the rural population—to the extent permitted by the local economic and social situation—as quickly as possible.

Pointing out that some countries were already in process of implementing resolutions adopted at previous meetings, resolution No. 74 adopted by the Ninth Inter-American Conference on Social Security (Quito, 1971) recognises the importance of the contribution made by the international institutions active in this field to the study and framing of plans aimed at extending the benefits of social security to the rural sector, and stresses the necessity of securing international financial assistance for this purpose.

At its numerous regional meetings, the International Social Security Association (ISSA) has expressed its concern that programmes for extending social security to rural areas should be accelerated. A wide-ranging study covering medical, administrative and financial aspects of rural social security in the region has been carried out with the co-operation of the American Regional Social Security Committees, which are joint technical organs of the ISSA and the Permanent Inter-American Committee on Social Security.

By its continuing work in the study and planning of human resources in the health field, the Pan-American Health Organisation is indisputably providing data of great value for the efforts to extend social security coverage to rural populations.

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<sup>1</sup> Adopted by the Eighth Conference of American States Members of the ILO (Ottawa, September 1966); see *Official Bulletin* (Geneva, ILO), Jan. 1967, pp. 73-77.

In numerous meetings and studies dealing with the problems of development confronting American countries, the Organisation of American States has undoubtedly also contributed to a better understanding of the factors affecting the extension of social security to the rural sector.

In addition, the Ibero-American Social Security Organisation, for its part, has pressed for the establishment of new legal, economic, financial and administrative structures and the adoption of new methods and techniques appropriate to the ecological and cultural conditions and the state of economic development of the rural sector in each area.

These co-ordinated efforts on the part of the international institutions in the field of social security, and more particularly in support of the extension of social security to the agricultural sector, have made the various countries concerned aware of the efficacy of international co-operation as a means of solving their common problems.

### General considerations

In recent years, diverse attempts have been made to clarify the various aspects of the economic, political and social modernisation towards which virtually all nations are striving. To the same purpose, the definition of a methodology for quantifying the non-economic factor of development<sup>2</sup>, for distinguishing their inter-relationships and for considering them simultaneously in an integrated development scheme<sup>4</sup> has recently been the subject of research and study.

Although development of the hitherto neglected rural sector is now being treated as a fundamental objective by some States, it remains one of the most difficult development tasks, involving not only technical and administrative problems but also the need to change the behaviour and attitudes of millions of peasants.<sup>3</sup> Even despite the lack of a uniform definition and theory of "development", and making allowance for the heterogeneous nature of the countries comprised in it, Latin America is regarded by the rest of the world as a region of permanent underdevelopment<sup>1</sup>, notwithstanding the progress accomplished and the potential for progress noted in some countries of the region. In order to understand this, it is enough to consider the predominant characteristics of the

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<sup>1</sup> See Irma Adelman and Cynthia Taft Morris: *Society, politics and economic development: a quantitative approach* (Baltimore and London, The Johns Hopkins Press, 1967), pp. 3-184.

<sup>2</sup> Teodor Shanin: *The rules of the game. Cross-disciplinary essay on models in scholarly thought* (London, Tavistock, 1972), pp. 329-332.

<sup>3</sup> Dudley Seers and Leonard Joy: *Development in a divided world* (London, Penguin Books, 1971), p. 175.

<sup>4</sup> See Stefan A. Halper and John R. Sterling (eds.): *Latin America. The dynamics of social change*. Contributors: Gino Germani, Hélio Jaguaribe, Irving Louis Horowitz, John Gerassi, André Gunder Frank, Ivan Illich, Anthony F. C. Wallace and Richard R. Fagen (London, Allison & Busby, 1972).

majority of the population, and especially of the country people, whose conditions of life are not covered by the conventional social and economic indicators, which were not designed to reflect the underlying dichotomy typical of most of these countries. The gap between urban and rural conditions of work and life is obvious to everyone.

Methods of data collection, and hence indices of the enormous differences in the distribution of the fruits of progress between these sectors, are notoriously inadequate. Nevertheless, the social and political unrest with which various countries in the region are so frequently beset, and the low standard of living of the majority of their populations, underscore the urgent need to reconsider the priorities of development.

In this respect, the countries of the region are increasingly aware of the need to strengthen the activities of the State as the prime agent of social and economic change, and of decisive action to eliminate the semi-feudal forces still entrenched in the agricultural sector and to reduce the regional inequalities produced by the urban-rural dichotomy.<sup>1</sup>

Social security institutions are also showing greater awareness of the need to co-ordinate their programmes and policies with current thinking about national objectives. Nevertheless, the efforts of the majority of social security systems in Latin American countries to move away from the conventional patterns of what was originally "a specifically European institution"<sup>2</sup> have come up against a variety of problems, such as the multiplicity of institutions involved, and the rigid and obsolete nature of their legal, administrative and financial structures, as well as the predominance of economic over social considerations, and the lack of adequate funds and human and material resources with which to implement expansion schemes. These difficulties have delayed decisive action in some systems, even when the problem area has been pinpointed and given priority status.

There is no doubt that, at the institutional level, the internal factors which have most severely hampered the extension of social security schemes in Latin America are those relating to financing, the adaptation of administrative methods, the recruitment and training of staff, the expansion of the network of medical units and the organisation of services. At the same time there are certain external factors that favour positive developments; for example, the new social and economic policies embarked on by some governments in the region, by reinforcing the national infrastructures, are helping to make social security programmes more effective.

On the other hand, social security institutions are faced with the further problem of assimilating the structural reorganisation introduced at the national level and carrying through the necessary internal changes

<sup>1</sup> Hélio Jaguaribe: *Estrategias políticas del desarrollo nacional en Brasil. Radicalismo latinoamericano* (New York, Random House, 1969), p. 428.

<sup>2</sup> Robert Savy: *Social security in agriculture*, Studies and Reports, New Series, No. 78 (Geneva, ILO, 1972), p. 55.

it demands in a manner consistent with effective development, without sacrificing the cohesion and integration essential for the continuity of their operations.

### **The over-all picture**

The extension of the Mexican social security system to population groups in rural areas is hampered by the constraints inherent in an integrated approach to national development. In order to bring about qualitative change as well as quantitative growth a number of serious obstacles have to be overcome, including in particular an inadequate national infrastructure, the scarcity of resources of various kinds, the difficulty of transferring modern technologies from the more advanced areas to the more backward ones <sup>1</sup>, both at the national and at the international level, the unfavourable terms of trade and the problems of dependency resulting from the international situation. These problems of national development also influence the extension of social security to rural areas to a greater or lesser degree.

### **Special factors**

Within this general context certain particularly significant factors stand out, such as the unfavourable terms on which agricultural products are exchanged for urban ones, the characteristics of economic and social development in rural areas, the state of environmental health and hygiene, technical backwardness and low productivity, systems of land tenure and of farming, rapid population growth <sup>2</sup>, the low priority given to agricultural credit and investments, the geographical isolation of rural communities and the resulting lack of communication between them <sup>3</sup>, the diversity of languages and cultural patterns, the generally poor health of the population, the high degree of illiteracy, the low incomes, the frequent recourse to casual labour, the limited development of trade unionism, and the practical difficulties of applying up-to-date administrative methods and procedures. The low level of participation in political life and in economic, social and cultural development <sup>4</sup> is likewise a serious obstacle to bringing the rural population within the social security system.

#### **DIVERSITY OF THE RURAL WORKFORCE**

The conditions of employment of rural workers vary widely. For example there are the permanent wage earners on medium-sized or large

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<sup>1</sup> Seers and Joy, *op. cit.*, pp. 37-63.

<sup>2</sup> See "Memoria de labores", in *Seguridad Social* (Mexico City), July-Oct. 1968, p. 93.

<sup>3</sup> Mention should also be made of the low density of the rural population (hardly more than 20 million persons spread over an area not far short of 2 million square kilometres).

<sup>4</sup> Pablo González Casanova: *La democracia en México* (Mexico City, ERA, 1972), p. 100.

estates; casual, temporary and seasonal workers; unpaid family workers; self-employed or semi-independent workers; persons working common land (*ejidatarios*), either individually or as members of a collective; tenant farmers (*medieros*) and sharecroppers (*aparceros*).<sup>1</sup> It frequently happens that agricultural wage earners are simultaneously employed in various capacities; for example a *mediero* may also be an *ejidatario* or an *aparcerero*. This diversity complicates their systematic classification by the IMSS, especially in the matter of determining real income levels, since remuneration may be partly in cash and partly in kind.

Another characteristic of rural wage earners is their high level of underemployment, resulting from the nature of the crop cycle; this encourages migration of rural workers to the towns and at the same time obliges those who remain on the land to engage in comparatively unproductive ancillary activities, equivalent in practice to a state of partial unemployment.

#### STRUCTURE OF THE RURAL POPULATION

Before the specific techniques for extending social security schemes to the agricultural sector can be applied it is essential to have a detailed picture of the rural population.<sup>2</sup>

The 20,004,000 inhabitants of the rural areas of Mexico (41.4 per cent of the total population) include 10,226,000 men and 9,778,000 women.<sup>3</sup> Of the 12,995,395 persons recorded in 1970 as constituting the economically active population of the country, 5,132,516 were engaged in some form of rural work (agriculture, animal husbandry, forestry, hunting and fishing); of these, 4,863,947 were men and 268,569 were women.

At the same census (1970), a total of 7,723,000 illiterate persons was recorded. This figure is highly significant, since illiteracy is confined largely to the rural areas.

#### LOW LEVEL OF AGRICULTURAL PRODUCTIVITY

Although the primary sector is of the first importance in the national economy—accounting for over 50 per cent of exports and the larger part of the economically active population—agricultural productivity has stagnated on account of the lack of technical know-how, inadequate mechanisation, the absence of an appropriate rural credit policy, the

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<sup>1</sup> Although the new Federal Agrarian Reform Act prohibits the working of common land by the system of tenant farming or sharecropping, this situation exists in Mexico in the following forms: an *ejidatario* is a beneficiary of the land reforms who uses part of the land granted to a rural population group to be worked directly by it, subject to the restrictions and conditions provided for in the Act; an *aparcerero* is a person who cultivates land rented from a third party against delivery of a predetermined percentage of the crop in payment; a *mediero* is a person practising a form of sharecropping in which the crop is shared equally between the landlord and the sharecropper.

<sup>2</sup> See "Memoria de labores", op. cit., p. 101.

<sup>3</sup> Data taken from the ninth general population census, 1970.

rugged topography and poor quality of the land, the shortage of water and fertilisers, natural hazards, and the uncertainty of commodity prices on national and international markets.

Problems posed by the transfer and assimilation of technology at the national and international levels also affect productivity, which is itself a fundamental factor in the extension of social security to rural areas.

The obstacles to the transfer of technology between countries at widely differing stages of development naturally put the less developed countries at a disadvantage, particularly as regards the primary sector.

All these various factors affect the physical capacity and well-being of rural workers, their productive activities, and consequently their earnings; hence the need for a system of agricultural insurance covering the contingencies to which those engaged in farming and animal husbandry are exposed.

Examples can be given in Mexico of cases in which productivity, so far from increasing, has actually fallen off considerably in recent years; this is particularly true of cotton and sisal (or, more accurately, henequen) production, as can be seen from the following figures:

COTTON AND SISAL PRODUCTION

(in thousands of tons)

Year	Cotton	Sisal
1960	470	156
1961	450	156
1962	485	156
1963	500	158
1964	565	195
1965	577	175
1966	521	176
1967	511	143
1968	555	134
1969	398	128

Source: Nacional Financiera: *La economía mexicana en cifras, 1970* (Mexico City 1972), pp. 95-96.

The factors referred to would have posed insuperable problems for the current extension programmes if attempts had been made to solve them along traditional lines; at best it would have been possible to broaden the coverage only minimally and in certain regions, and the resulting extension of protection would have been insufficient even to keep pace with the population increase.

What was called for was rather a strategy focused on integrated and realistic targets, social security being extended gradually in both time and space. In practical terms it was considered that the introduction of medium-term and short-term programmes would enable coverage to be extended, as time and resources permitted, to increasingly large groups of agricultural workers and areas of the country; this approach should enable certain apparently insoluble problems to be overcome relatively easily.

The Government's programmes for integral implementation of the land reforms, industrial decentralisation and the channelling of investments into processing industries set up in areas where raw materials are produced have set the stage for the establishment of large agricultural-industrial production complexes that should help to relax the constraints enumerated above; but the full effects of these programmes will become apparent only after some time and will depend on their co-ordination with other policies designed to improve conditions in the rural sector. Such co-ordination will indubitably help to clear the way for the extension of social security.

#### **IMSS criteria for the extension of social security<sup>1</sup>**

Since social security is one of the fundamental instruments by which the State can promote the welfare of the population, achieve a redistribution of income and give practical expression to the spirit of national solidarity, the IMSS has allotted a special place on its programmes to agricultural social security and has laid down concrete objectives, both immediate and longer-term, for the purpose.

The longer-term objectives include support for the efforts made in the public sector to raise the level of development and welfare of the rural population to the highest possible level, so that every community may play a part in building up its own social security arrangements and take its place in the work of national development, relying for the purpose on its own efforts and on the solidarity of the nation as a whole.

On the other hand, the promotion of the health, economic development, education and social status of the rural population is regarded as a short-term objective, towards the attainment of which the Institute contributes by participating in integrated government action and generally helping to establish favourable conditions.

The following are some of the principles which have been laid down for the achievement of these aims:

(1) The extension of social security must be treated as an integral part of the national economic and social development programme.

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<sup>1</sup> Based on IMSS: *Programa mexicano de seguridad social campesina*.



(2) Each stage of extension must be preceded by adequate research and planning aimed at identifying the types of benefits most needed by rural families (e.g. medical care), contributions being fixed at an amount they can afford and the level of state participation being higher than in the urban sector.

(3) Extension schemes must be based on the rational use of existing resources of the Institute or of other official bodies, and proper co-ordination must be ensured.

(4) Extension must be accompanied by decentralisation of the medical services forming part of a nation-wide scheme.

(5) It should be backed by a simplified and flexible system of administration, concentrating on the provision of high-priority services at minimum cost but without detriment to quality.

### **Limits of action in space and time**

Geographically speaking, the rural sector will be covered by gradually extending a programme of nation-wide character. This extension will proceed continuously until such time as the rural community is in a position to finance its own social security scheme. Co-operation will be instituted with the rural population in a manner consistent with its cultural and economic level; with that end in view, after due consideration, three main phases are envisaged:

(1) An *educational* phase designed to stimulate the interest of the community and its organisation in preparing for the introduction of the programme in which it will have to co-operate and participate actively and permanently. In this phase sociological surveys will be carried out in order to ascertain the structure of the groups involved and their affinities or antagonisms.

(2) This will be followed by the *choice of benefits*, which will be made available gradually, in direct proportion to the economic efforts of the community, and in conformity with pre-established plans. This approach will allow the community to opt for one or more groups of benefits, by a system of transferable contributions.

(3) Finally, the stage of *consolidation* will be reached when the community is able to stand on its own feet and to develop its social security system.

### **Zoning**

In view of the great diversity of conditions existing in rural Mexico, it will be necessary to demarcate relatively homogeneous operational areas for the purpose of applying the programme. This initial work will

facilitate logical planning and make for simpler programming. In establishing these zones, the Institute will take the following factors into account: geomorphology, composition of soil, climate, hydrology, ethnics, flora and fauna, demography, health conditions, educational level, labour force, natural resources on which primary production can be based, communications and transport, incomes (monthly average), and number of professional associations (trade unions, guilds, etc.).

Combination of such factors will make it possible to determine the quantitative and qualitative characteristics required as a basis for a reasonably homogeneous plan of operations, bearing in mind the multitude of dissimilar areas in Mexico (the country has been divided into 8 zones, 44 regions and 344 districts).

### **The position of rural communities in the scheme**

The basis chosen by the Institute to define a rural community is the same as that used in the national censuses and international conventions, i.e. a rural community is one with not more than 2,500 inhabitants. The programme may be applied to larger communities, however, when the greater part of the labour force is working in the primary sector, or when it is wished to make use of certain local medical facilities (such as a hospital or clinic) which are underutilised.

Since the programme is based on the Mexican concept of community development and provides for two categories of benefits, namely individual benefits on the one hand, and collective benefits on the other, the community is defined as a member entity receiving collective services, and its members as beneficiaries or entitled persons; in the case of benefits granted to individuals, the head of the family is the insured person and its members are the beneficiaries.

As regards community membership, it should be pointed out that in the agricultural social security programme, financing is derived from two sources, the rural worker and the State; the employer, therefore, does not exist as a contributing member, though his place may be taken by certain forms of associations, such as friendly societies, co-operatives and trade unions. Consequently, there is no need to set up machinery for checking compliance by employers with their obligations; for the purposes of community membership: (i) the insured persons will be permanently classified in wage categories close to the regional minimum; (ii) the number of member entities will be smaller than the number of insured persons.

### **Methods of selection**

A first selection of operational areas is made to determine those having the greatest economic potential in primary sector activities, the principal factors taken into account for this purpose being land area, nature of crops, farm produce, value of primary production and labour

force used, as well as other factors which may have a bearing on the results obtained, such as level of mechanisation, farming techniques, fertilisers, markets, and so forth.

From this combination of data, a monthly average income per head can be derived which, in the last analysis, constitutes a yardstick of the standard of living or well-being achieved.

When the operational area has been defined, a group of communities is singled out initially for priority treatment by considering the following factors: demography, communications, nature of the land, material resources, medical facilities, financial credits and rural schools.

The areas and communities having been chosen, the next step is to set up a "plan of action" covering a number of "principal" and "dependent" communities, and providing—after careful study of the level of utilisation of existing facilities—for the regional or local services required to meet the needs of the communities involved at different levels of specialisation.

Finally, once the operational areas have been selected, the ability of each of them to bear its share of the costs of the scheme must be carefully assessed.

### **Structural changes and reforms required for extension**

Social security was first extended to the rural areas of Mexico in 1954, when it covered the *ejidatarios* and other workers benefiting from land reforms. Further extensions took place subsequently, the criterion for the choice of groups to be covered being that they should cultivate certain crops enjoying the benefit of irrigation works. In 1956, for example, the coverage of the agricultural population was broadened by the inclusion of workers engaged in the production of sugar-cane.

These extensions required a special form of financing, distinct from that adopted in the case of urban wage earners, in order to take due account of certain features peculiar to the rural sector and to permit the inclusion of most of the agricultural areas with a record of higher productivity.

More recently, in 1972, social security coverage was extended to sisal cultivators, and in 1973 to tobacco-growers.

The new Act of 1973 broadens the protection offered by the scheme in the rural areas by including workers belonging to credit societies and production or farming co-operatives; this should facilitate the scheme's financing and the collection of contributions.

### **The legislative context**

With the promulgation of the Social Insurance Act in 1943<sup>1</sup>, the extension of social security coverage to the whole nation became clearly

<sup>1</sup> Act of 31 December 1942 (see ILO: *Legislative Series*, 1942—Mex. 1, and 1959—Mex. 2).

defined as the ultimate objective. Nevertheless, the immediate financial, administrative and other problems (the absence of the necessary infrastructure of health services, the need also to cover dependent relatives and to launch the scheme first of all mainly in the industrial urban centres, with the full range of benefits foreseen in the Act being provided from the outset) inevitably required, as already mentioned, that the scheme be extended only gradually to successive population groups and geographical areas. Moreover, the original legislation was not drafted in terms sufficiently broad to cover rural workers, self-employed urban workers and certain other categories of workers.

During the introductory years, various shortcomings were noted in the organisation of social security: the economic and social characteristics of the population at large and the specific conditions of the working population were not taken sufficiently into account; there were doubts concerning the rival merits of administrative centralisation or decentralisation; provisions regarding coverage and the collection of contributions, as well as policies for financing and the investment of reserve capital, were not precisely enough defined; and experience in over-all planning was lacking. How great these problems were can be gauged from the constant increase in administrative costs (in which other factors admittedly played a part) and the difference in the rate of spread of urban and rural coverage.

The scope of the social security scheme was first extended to the rural sector, as we have seen, in 1954, by the adoption of general or specific regulations covering certain types of work in agricultural areas.<sup>1</sup> These applied to workers in specified agricultural, stock-breeding or forestry undertakings and to the members of local agricultural credit societies and rural credit societies. For the purposes of the regulations, landowners, beneficiaries of agrarian reforms (*ejidatarios*, see earlier footnote), settlers, tenant farmers and sharecroppers employing one or more workers were regarded as employers.

In 1961, after *ejidatarios* and smallholders not affiliated to local rural or agricultural credit societies in certain municipalities in northern Mexico had been incorporated into the social security scheme, the following statement of policy was made: "One of the objectives of the Federal Executive, in the implementation of its programme of social policy, is to achieve the most effective organisation of the social security scheme, so that it may cover the majority of the rural population of the country."<sup>2</sup>

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<sup>1</sup> Decree of 19 August 1954 respecting the introduction of the social security scheme in the states of Baja California, Sonora and Sinaloa. Regulations of 19 August 1954 extending the provisions of the social security scheme to rural workers in the states of Baja California, Sonora and Sinaloa. See also Regulations of 10 August 1960 respecting the compulsory social insurance of rural workers.

<sup>2</sup> Decree extending the social security scheme to *ejidatarios* and smallholders not affiliated to local rural or agricultural credit societies, in the municipalities of Mexicali, Tecate, Tijuana and Ensenada (Baja California), and of San Luis Río Colorado (Sonora). See IMSS: *Leyes, reglamentos e instructivos* (Departamento Editorial, 1967).

In 1963, when the legislation including sugar-cane producers and their workforce in the compulsory social security system was promulgated, emphasis was again placed on the need for balanced economic and social development of the urban and rural sectors as a matter of vital importance for the progress of the country, the statement also being made that "Mexico is experiencing the transition from social insurance to social security".<sup>1</sup>

In order to achieve more concrete progress, it was felt necessary to break away from certain obsolete notions, such as the concept of what constituted an "employer": this had to be modified so that co-operatives and rural or agricultural credit societies might in future be treated as employers. It was also considered that tenant farmers and sharecroppers should henceforward be treated as wage earners, that special provisions should be introduced respecting unpaid work, and that special schemes should be set up for rural workers, and more flexible provisions adopted regarding self-employed workers, sharecroppers and tenant farmers. It was further regarded as desirable to channel part of the state contribution towards the rural population.

On 31 December 1965, therefore, an important reform of the Social Insurance Act was introduced, whereby the state contribution to the urban sector was reduced from 25 to 12.5 per cent, so as to secure the financial resources required for the extension of the social security system to the rural sector. This reduction in the state contribution has enabled substantial sums to be accumulated.<sup>2</sup>

At that time, the institutions concerned evinced a clear interest in ways and means of applying the available sums more productively, improving administrative efficiency and reducing costs, while at the same time the continuing need for systematic planning based on modern methods was recognised.

The Decree of 30 December 1970 to amend the Social Insurance Act<sup>3</sup> is specifically designed to extend the benefits of insurance to particular occupational sectors. For this purpose, in conformity with the new Federal Labour Act of 2 December 1969<sup>4</sup>, the legal personality of the insured persons is defined in terms of the dual bond resulting from the employment relationship, which implies not only remuneration but also dependence, and the composition of the wage as being any remuneration received at regular intervals by the worker, either in cash, in kind or in services; this has resulted in coverage being extended to certain categories of workers whose status under the earlier labour legislation had previously made

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<sup>1</sup> Act to incorporate sugar-cane producers and their workforce within the compulsory social insurance system. *Ibid.*

<sup>2</sup> IMSS: *Programa mexicano de seguridad social campesina*, op. cit., Vol. VII.

<sup>3</sup> *Legislative Series*, 1970—Mex. 1.

<sup>4</sup> *Ibid.*, 1969—Mex. 1.

this difficult, such as urban and rural self-employed workers, the latter including the *ejidatarios*, communal landholders (*comuneros*) and members of production co-operatives and of local agricultural or rural credit societies.

The Federal Agrarian Reform Act of 16 March 1971 does not confine itself to improving the system of land tenure but also attempts to improve crop production by providing for agricultural vocational training and agricultural credits, while requiring that waste lands be placed under cultivation.

The Decree of 24 February 1972 provides for the further expansion and adaptation of rural social security, and lays down broader bases for other future extensions, in particular to agricultural sectors of national importance such as tobacco, coffee and cotton plantations.

This decree provides for compulsory social insurance, covering the contingencies of occupational disease, maternity, old age and death, for beneficiaries of agrarian reforms who are members of local rural credit societies, friendly societies or credit unions, engaged in sisal cultivation in 60 municipalities of the state of Yucatan, with cash benefits and health care for members of their families. A system of bipartite financing has been set up covering some 250,000 beneficiaries, in which the credit society, friendly society or credit union to which each insured person belongs pays the sum of 720.72 pesos annually, the Federal Government contributing an equivalent amount.

It is anticipated that the medical and financial benefits provided to the sisal cultivators in Yucatan will have favourable repercussions on the health, productive capacity and incomes of the local population, and consequently on the purchasing power of every family, a factor of considerable importance in countries such as Mexico that are concerned with strengthening their internal market in the rural sector.

The Public Health Code adopted by the Congress of the Union on 12 February 1973 formulates a nation-wide public health policy based on joint and co-ordinated action involving the mobilisation of all national health resources in favour of "social" medicine; the institution of social insurance is an outstanding and essential element of this policy.

### **Financial basis**

For the purpose of financing the extension of the social security scheme to the rural sector, it was considered that the conventional form of contributions based on wages could only be applied to agricultural workers in permanent or semi-permanent employment on relatively highly organised farms or ranches where individual records were kept of the workers and of the wages paid; this appeared to be impracticable in the case of casual or seasonal workers, or of undertakings that do not keep any systematic records of their workers—a state of affairs which is very

common in rural Latin America.<sup>1</sup> It was accordingly decided to create special methods of financing which would not rely on tripartite contributions and could be related to production, crops and land tenure.

Financing was therefore based on assumed daily earnings, related to land area and type of crop, and contributions were paid by rural employers and the State. In order to identify the sources of the funds required for the extension of social security coverage to the rural sector, insured persons were classified in three groups, namely wage earners, members of agricultural and rural credit societies, and *ejidatarios* and smallholders not belonging to such societies. The first group was admitted to ordinary coverage under the social security scheme; for the second special conditions of financing and protection were laid down; and in the case of the third provision was made for special regulations defining the conditions of coverage.<sup>2</sup>

With this end in view, in the reform undertaken in 1956<sup>3</sup> the agricultural credit societies and rural credit societies are considered as employers, as had been determined previously in the case of production co-operatives.<sup>4</sup>

For the financing of the branches of insurance against sickness, maternity, invalidity, old age, unemployment and death, these societies remain subject to the system of bipartite contributions, being responsible for payment of 50 per cent of the total premium, the remaining 50 per cent being paid by the State.

In the branch of insurance against employment accidents and diseases the Federal Government will contribute 50 per cent of the premium in the case of *ejidatarios* or smallholders owning not more than ten hectares of irrigated land or an equivalent area in other land, irrespective of whether or not they are members of production co-operatives or of agricultural or rural credit societies.<sup>5</sup> Subsequently, in order to secure the protection of *ejidatarios* who are not members of such societies, as well as of self-employed rural workers, as a matter of solidarity and in order not to impose too heavy a financial burden on these workers and on the Federal Treasury, urban undertakings were required to cover 12.5 per cent of the state contribution in order to help finance the social insurance of self-employed agricultural workers.<sup>5</sup>

The social insurance of workers engaged in sugar-cane cultivation—a basic industry in Mexico—has called for a special financing procedure, consisting in the levying of a fixed amount per kilogramme of sugar produced; 50 per cent of this contribution is payable by the sugar producers,

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<sup>1</sup> See IMSS: "Extensión de la seguridad social a la población rural", in *Seguridad Social*, loc. cit.

<sup>2</sup> Decree of 30 December 1959 (*Legislative Series*, 1959—Mex. 2).

<sup>3</sup> Decree of 29 December 1956. *Ibid.*, 1956—Mex. 1.

<sup>4</sup> Decree of 3 February 1949. *Ibid.*, 1949—Mex. 1.

<sup>5</sup> Decree of 30 December 1965.

25 per cent by the cane producers and 25 per cent by the State, the amount of the levy being subject to review every two years.<sup>1</sup>

The coverage of casual and temporary workers is subject to special measures. In comparable legislation, it is customary to require such workers, whether in agriculture or the urban sector, to give proof of prolonged periods of employment for entitlement to insurance coverage; in Mexico, these periods are reduced, it being stipulated that casual or temporary workers shall be covered by the compulsory social insurance if they have been employed by the same employer for 12 working days or more without interruption, or for 30 days with interruptions during a period of two months.<sup>2</sup>

In extending social security to rural areas, account must be taken of additional cost factors, such as the need to enlarge existing facilities and to meet the increasing cost of maintaining medical services, the vocational training of personnel in all branches of the rural services, movements of staff, equipment and pharmaceuticals for distribution over large geographical areas, and other miscellaneous contingencies which crop up while the project is being implemented.

It has been calculated that a financial balance may be achieved partly by treating certain areas as complementary: "The scheme can be made to operate in economically weak areas by the allocation of surpluses stemming from more developed rural or urban areas"<sup>3</sup>, that is to say, by applying the principle of solidarity.

As regards the basis of financing, the new Mexican Social Insurance Act introduces significant innovations which will permit contributions payable by employers to be increased gradually, "while avoiding adverse economic repercussions for themselves and for the nation resulting from the sudden introduction of new contribution categories"<sup>4</sup>. It is hoped in this way to inject a dynamic element into the Institute's financing, having regard to wage movements, and thus to channel towards it the substantial means it requires both to introduce improvements in the urban sector and to extend social security coverage to the rural populations.

### **Administrative reorganisation**

The administrative problems bound up with the extension of social security to rural areas have stemmed from the fact that the plans of operation were based on models established for urban social security, without adaptation to the peculiar features of the rural sector. It was

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<sup>1</sup> Under the previously cited Act to incorporate sugar-cane producers and their workforce within the compulsory social insurance system.

<sup>2</sup> Regulations of 24 June 1960.

<sup>3</sup> IMSS: "Extensión de la seguridad social a la población rural", *op. cit.*

<sup>4</sup> "Nueva ley del IMSS: mejora la protección e incluye a grupos sin relación de trabajo", in *Novedades* (Mexico City), 1 Feb. 1973, p. 15.



indispensable to establish "simple and flexible administrative patterns enabling protection to be extended to the rural population as quickly as possible".<sup>1</sup> For this purpose the administration had to be reorganised with a view to the future integration of the social security system in overall national planning, and in such a way as to allow for special forms of membership, methods of supervision and collection of contributions, as well as for special procedures for the provision of benefits in the rural sector.

Special programming units were established to bring about the necessary structural changes, which included the reorganisation and greater decentralisation of the administration called for by the broader geographical coverage and the specific functions of social security in rural areas, as well as its integration with urban industrial social security and with planning at the national level.

As regards integration with national planning, programmes had to be worked out incorporating the following features: a simplified administrative structure; a strict system of priorities in the selection of benefits to be provided; minimum operating costs; more productive use of existing investments; maximum recourse to the technical administrative services of the IMSS; and fixing of contributions at a level within the reach of rural families.<sup>2</sup>

### **Rural social security and national policy**

Although on the one hand certain pressure groups are still urging that the available resources be used to improve the benefits granted to persons already protected, for example by increasing old-age pensions or introducing family allowances, educational grants or unemployment benefits, on the other hand there is a compelling need to remedy the total lack of protection for those large segments of the rural population who do not enjoy even minimum social security coverage, i.e. by extending the system "horizontally" in order to include large population groups who have hitherto remained untouched by any of the social insurance schemes, or if they have been protected in theory have hardly been so in practice.

It is this latter argument that has carried the day in Mexico. By opting for the effective extension of social security to the rural sector, Mexico has resolved a dilemma common to all the Latin American social institutions and has aligned itself with the other countries of the region that have faced up to the challenge in similar fashion.

Although implementation of the programme will undoubtedly be fraught with many problems, there is every indication that the flexible

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<sup>1</sup> IMSS: "Extensión de la seguridad social a la población rural", op. cit.

<sup>2</sup> Idem: *Programa mexicano de seguridad social campesina*, op. cit., Vol. VII.

policy of the present administration will enable the approach adopted to be further perfected and strategies developed that take full account of the interdependence between the organisational framework and operating methods inherent in the system and the factors external to it. The adoption of appropriate techniques will also enable urban and rural social security to be welded into a single whole with a view to the integrated planning of the system and its incorporation in over-all national planning.

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