

Building Human Capital in an Aging Mexico:

***Demography, Workforce Development,
and Economic Competitiveness***

Overview Presentation by CSIS

CSIS-CONACYT ROUNDTABLE

**Washington, DC
October 29, 2004**

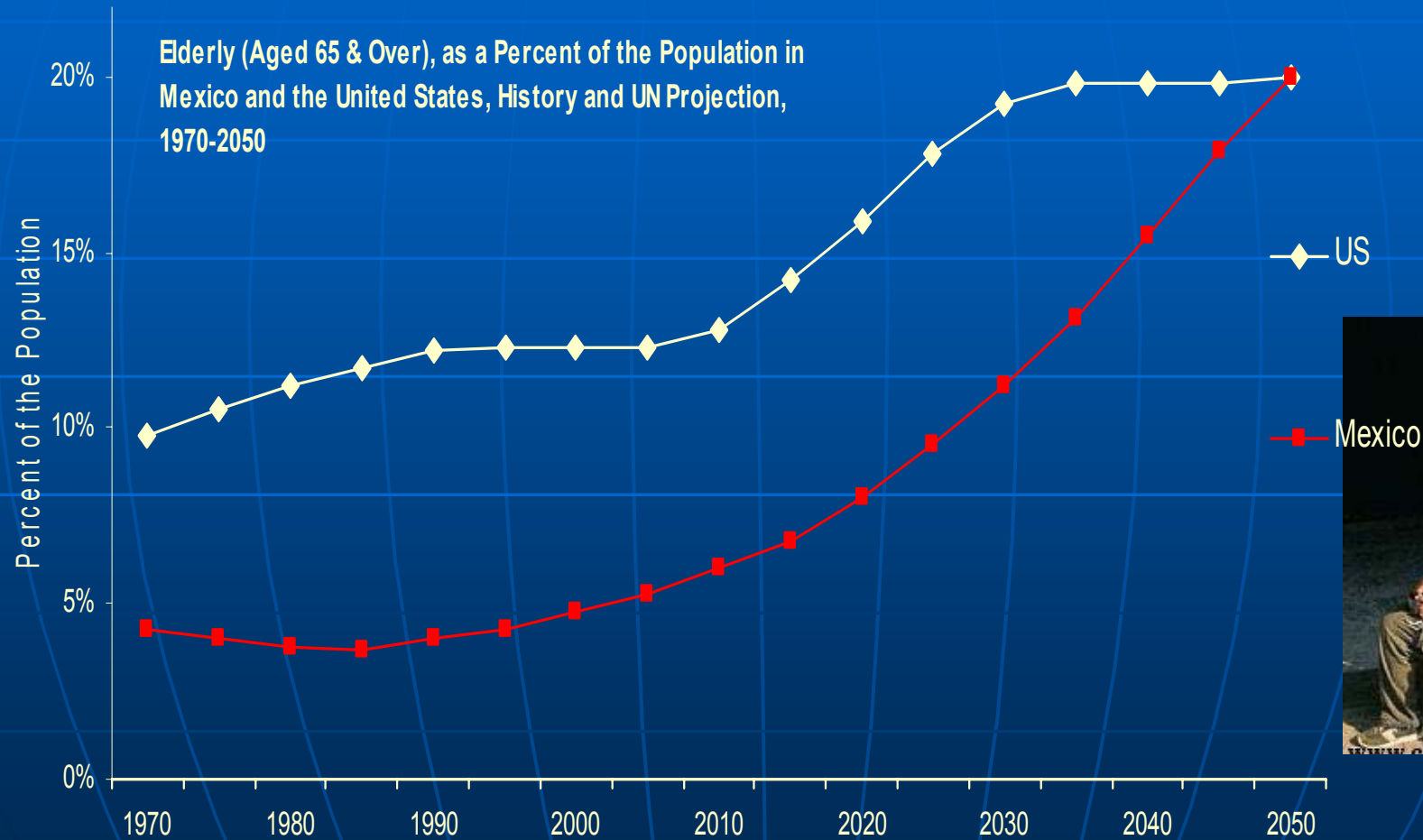
Mexico is about to undergo a stunning demographic transformation.

Mexico is still a demographically young nation, preoccupied with a young nation's problems—modernizing its economy, creating jobs, and raising living standards.

Mexico, however, is about to age dramatically.

Today, there are nine times as many children in Mexico as elders. By mid-century, there could be as many elders as children.

When the age wave has run its course, Mexico will be as old as the United States.



Source: UN (2003)



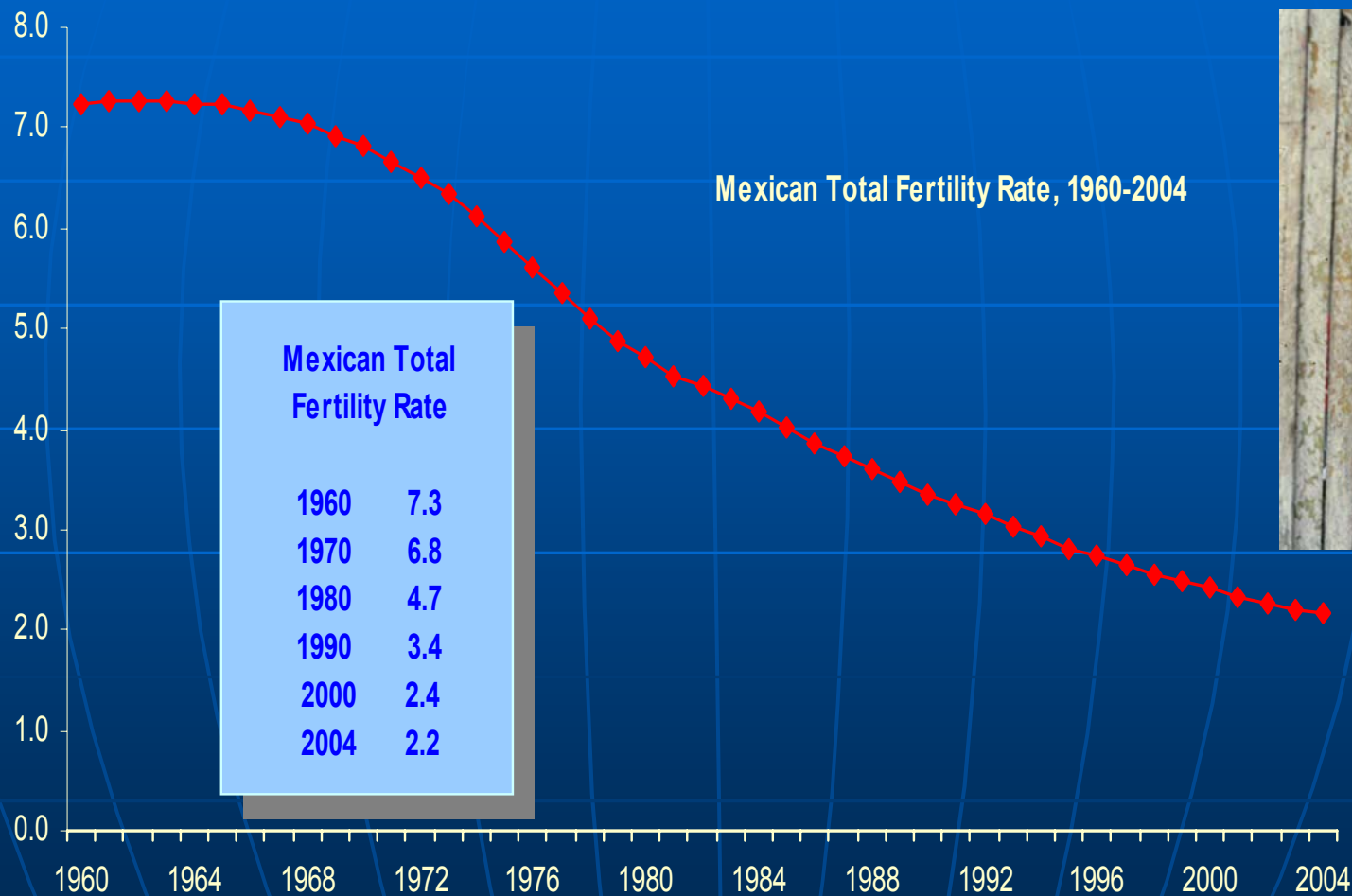
Two demographic forces.

The first force is **FALLING FERTILITY.**

Mexicans are having fewer babies—and this shrinks the relative number of young in the population.

Since the mid-1960s, Mexico's fertility rate has fallen from 7.3 to 2.2. In many urban centers, it has sunk beneath 2.1—the “replacement rate” needed to maintain a stable population over time.

Behind Mexico's Age Wave: A dramatic decline in fertility rates.



Source: CONAPO (2002, 2004)

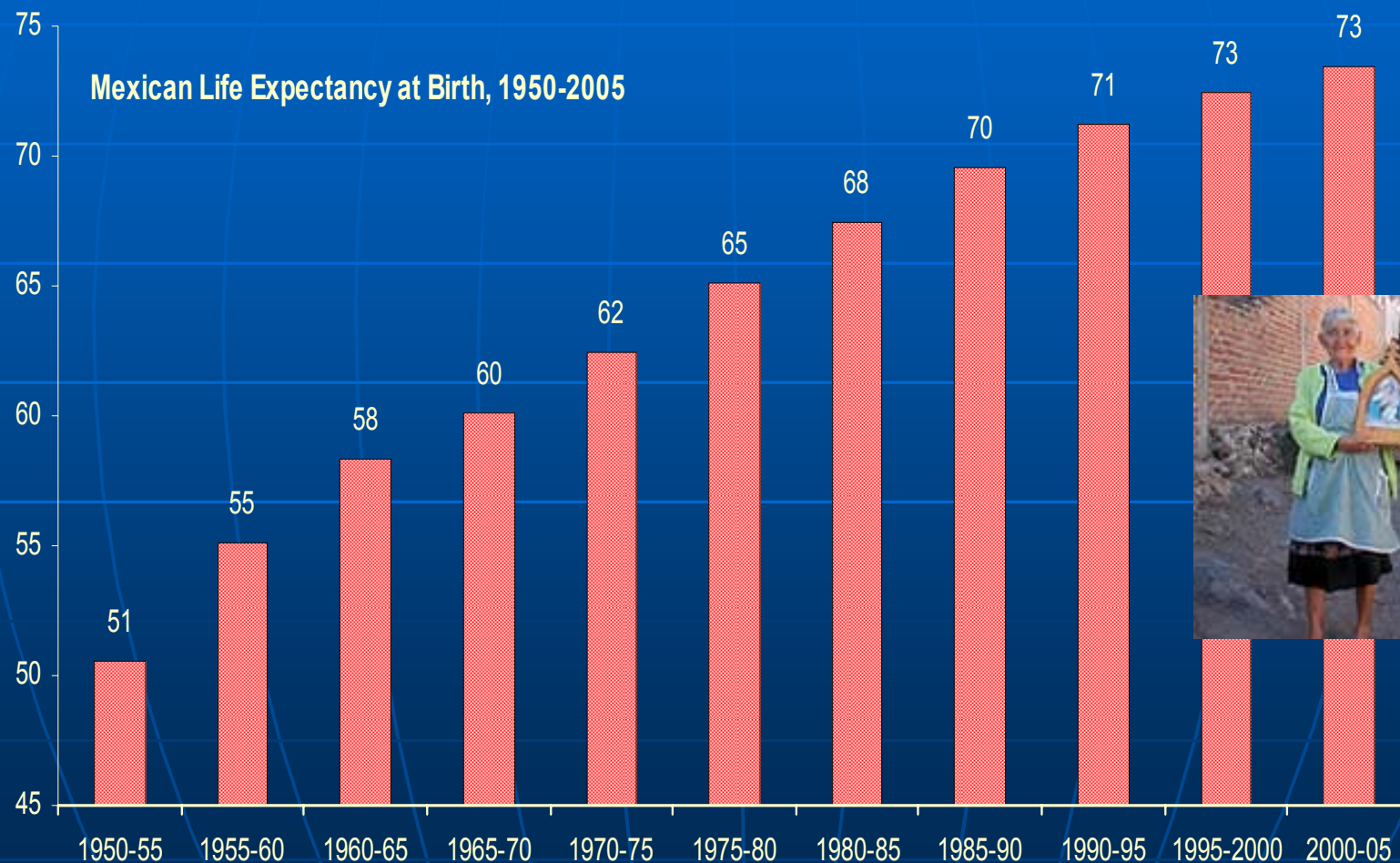
Two demographic forces.

The second force is **RISING LONGEVITY.**

Mexicans are living longer—and this increases the relative number of old in the population.

Over the past fifty years, life expectancy has risen from 51 to 73—putting Mexico on a par with many developed countries.

Behind Mexico's Age Wave: An equally dramatic rise in longevity.



Source: UN (2003)



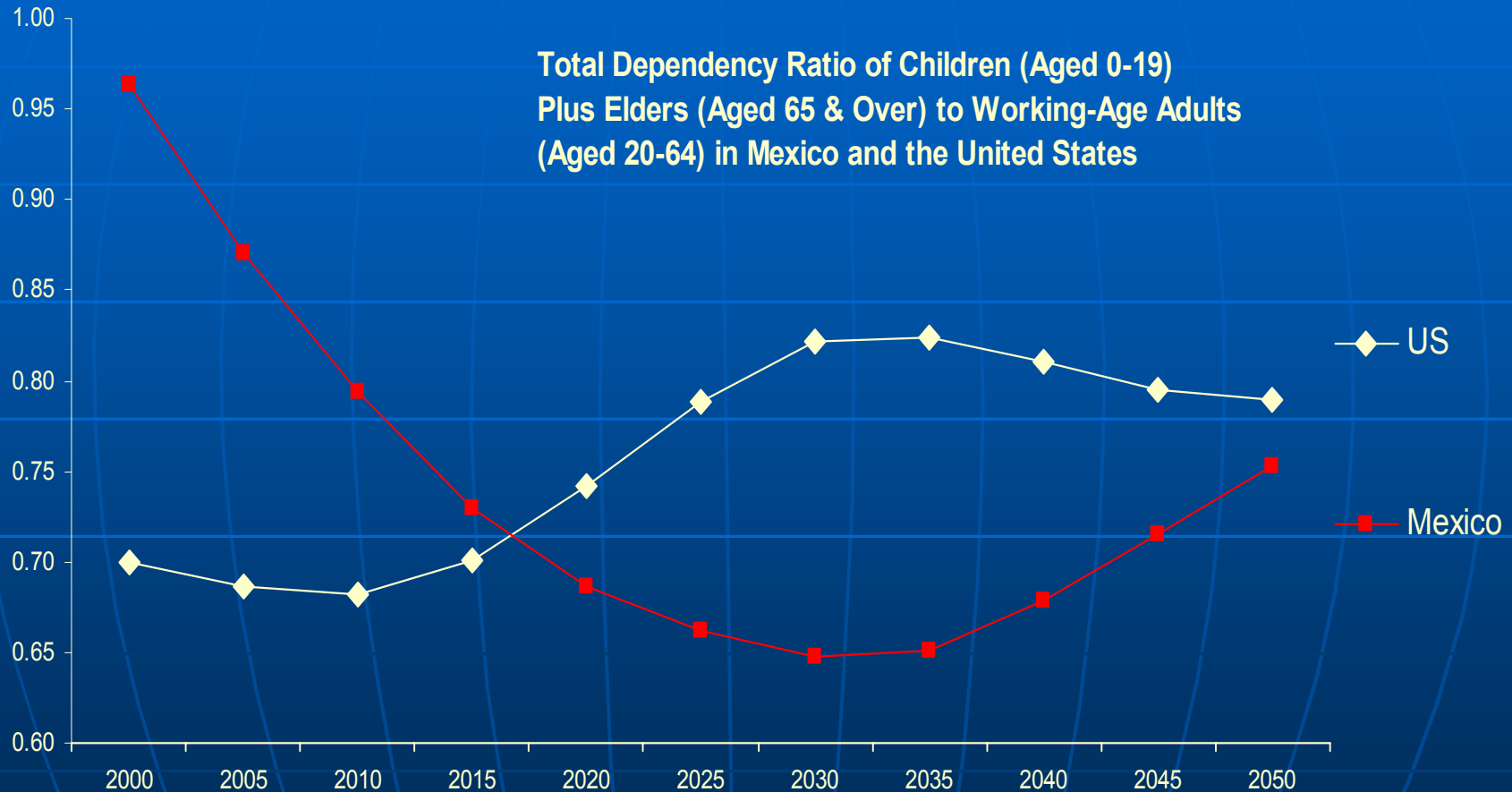
Today's great powers became affluent societies before they became aging societies. Mexico may grow old before it grows rich.



**The costs of Mexico's coming age wave
still loom far over the horizon.**

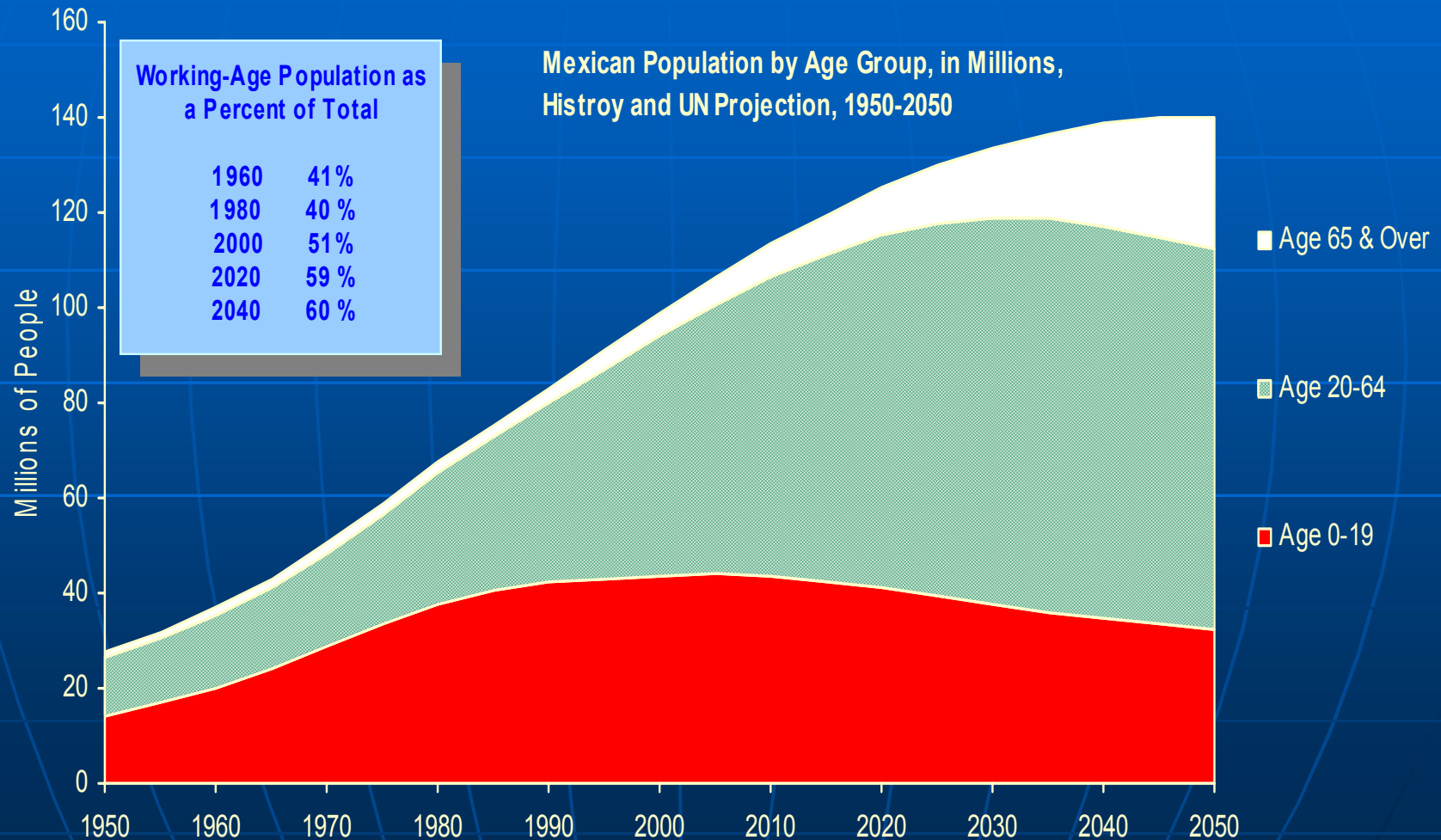
**For the next twenty-five years, Mexico
will experience a “demographic
dividend” in which the impacts of
aging will be mostly positive.**

The number of dependents per working-age adult will steadily decline.



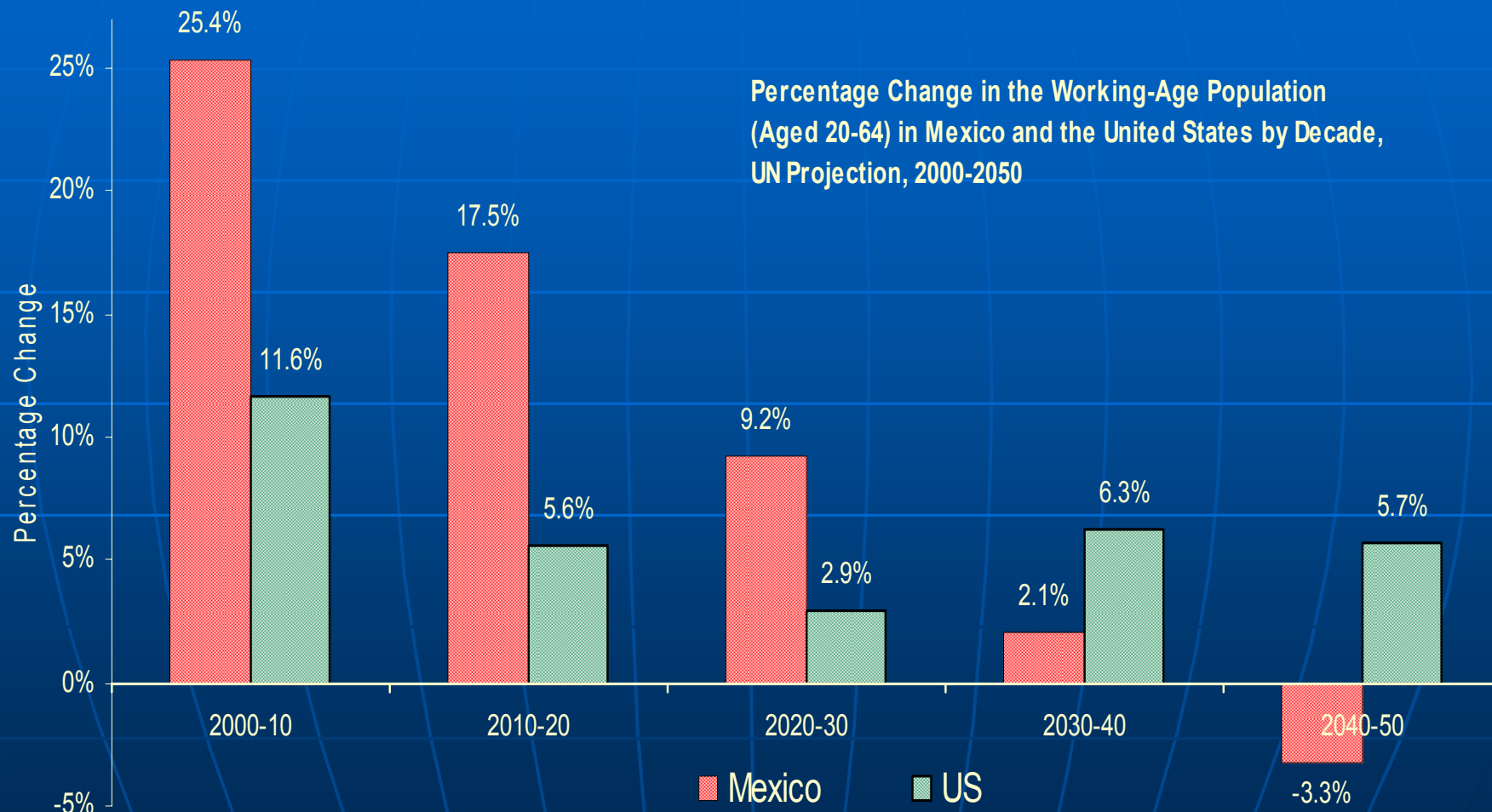
Source: UN (2003)

The share of the population in the working years will reach record highs.



Source: UN (2003)

The current rapid growth in the workforce will gradually but steadily decelerate.



Source: UN (2003)

The demographic dividend could bring important economic benefits.

- ☐ **Higher rates of savings, investment, and productivity growth.**
- ☐ **A shift from labor-intensive (low wage) jobs to capital intensive (high wage) jobs.**
- ☐ **Growing economic integration between Mexico and the United States.**

To realize the potential benefits of its demographic dividend, Mexico must make the right policy choices today.



While its population is still young and growing, Mexico needs to ...

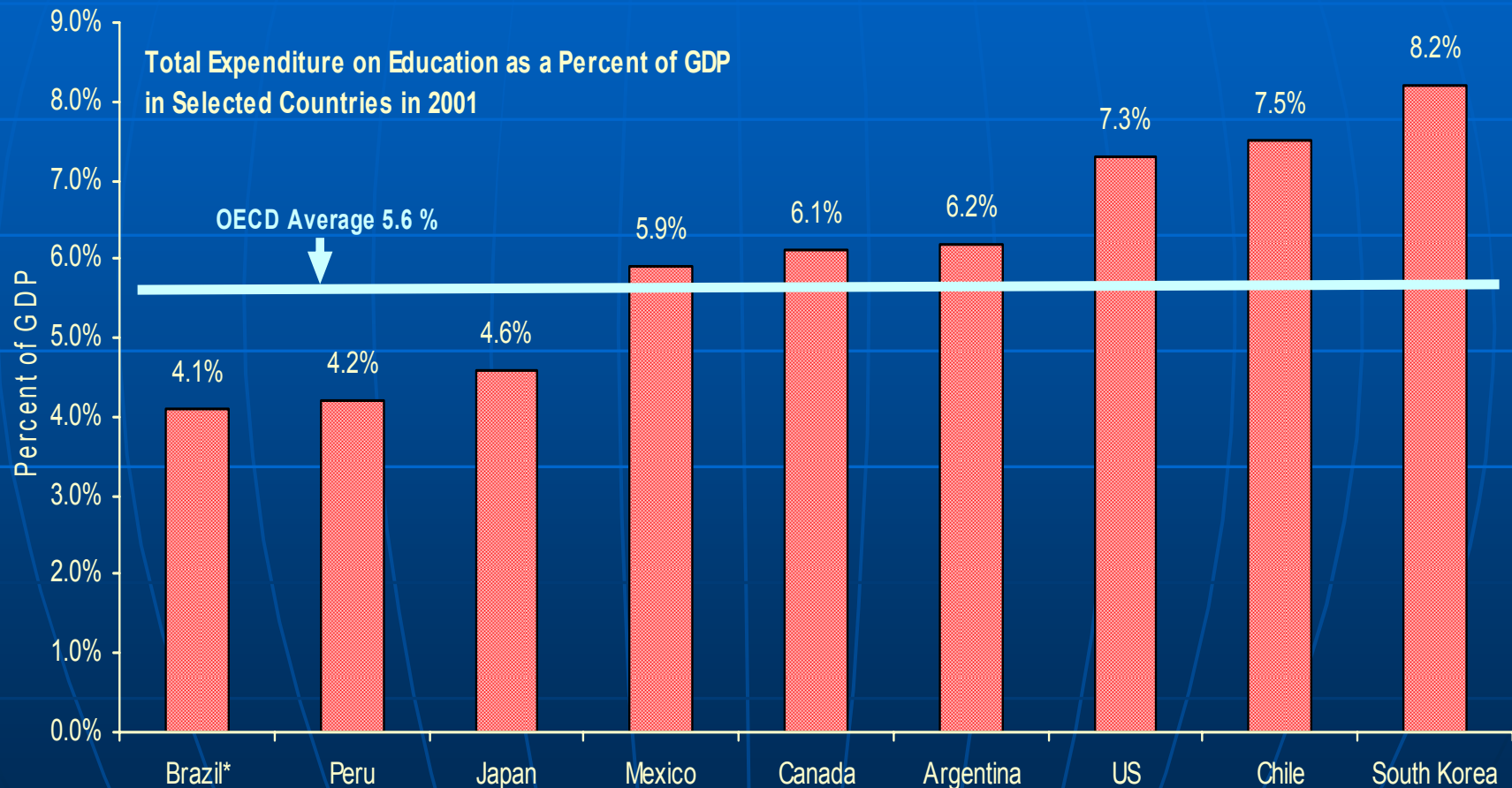
- ☐ **Complete the program of economic and political reform that it began in the 1980s.**
- ☐ **Put in place a broad-based floor of protection against destitution in old age.**
- ☐ **Invest more effectively in the education and skills of tomorrow's workforce.**



Mexico has begun to engage the human capital development challenge.

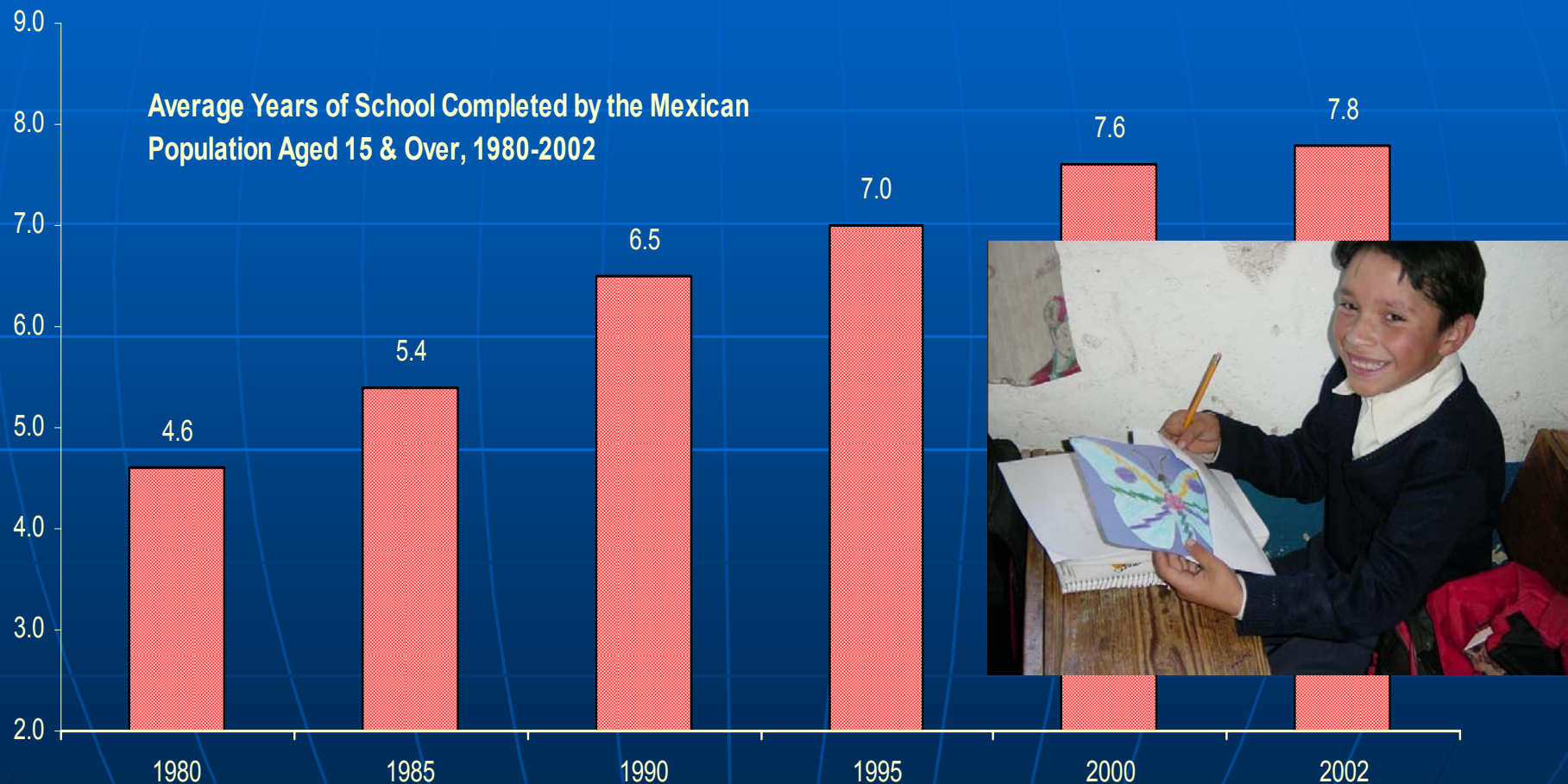


Mexico now devotes a relatively high share of national income to education.



*Figure for Brazil refers to public expenditure only.
Source: OECD (2004)

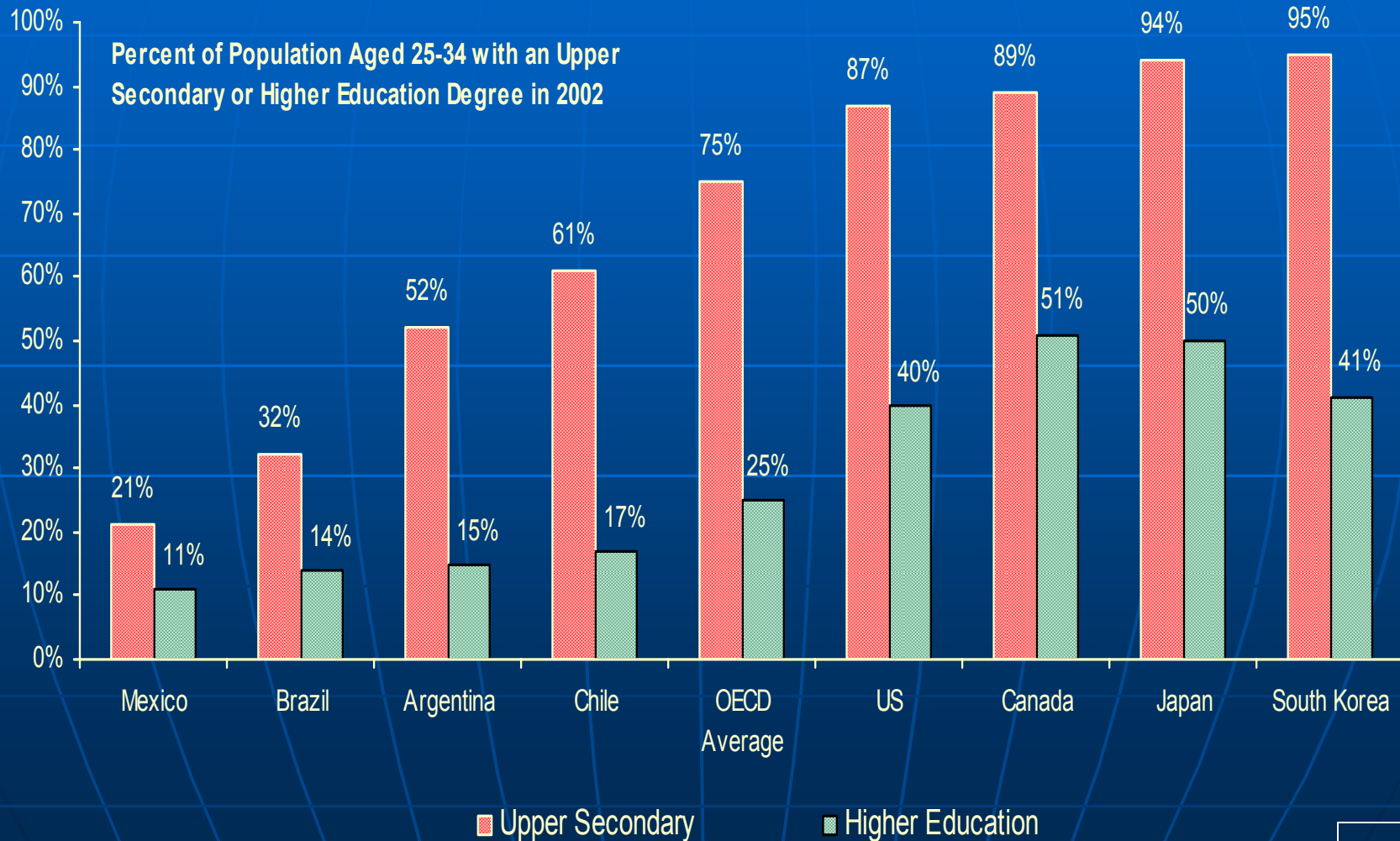
The number of years Mexicans spend in school is steadily rising.



Source: Presidencia de la Republica (2002)

Despite recent progress, Mexico still trails the developed countries in most measures of human capital development.

Only a minority of Mexicans complete high school or college.



Source: OECD (2004)

Mexican students perform poorly in international educational comparisons.

Mexico's Rank in the PISA* Assessment of Educational Attainment
of 15 Year Olds in 41 Developed and Developing Countries

	<u>Mean Score</u>	<u>Score at 95th Percentile</u>
Reading Test	34th	34th
Math Test	35th	38th
Science Test	34th	36th

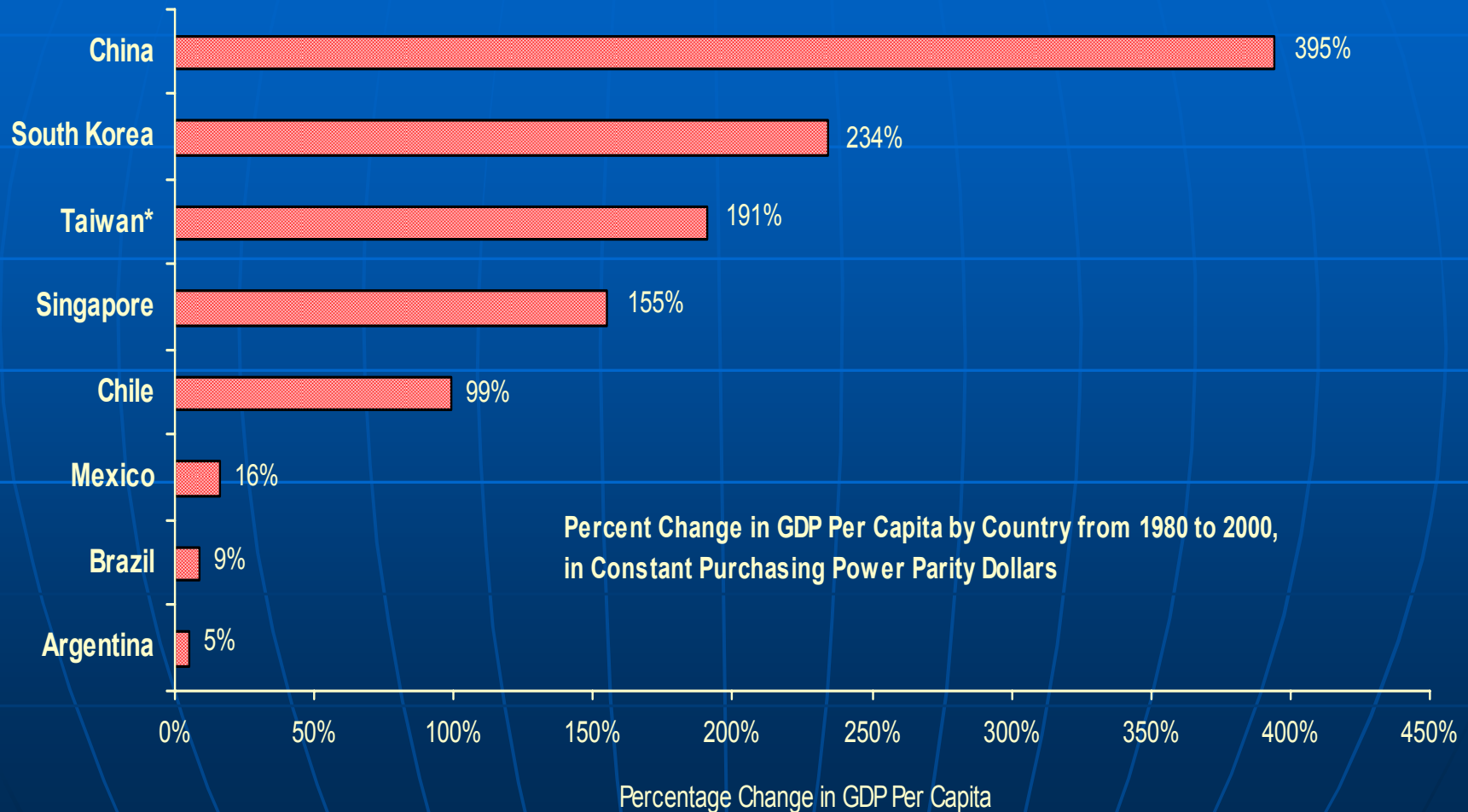
*PISA = The Program for International Student Assessment

Source: OECD (2004)



Mexico's human capital deficit threatens its economic dynamism, competitiveness, and long-term living standard growth.

Over the past few decades, Mexico has lagged in the global development race.



*Figure for Taiwan is for 1980-1998.

Source: World Bank (2004) and Heston, Summers and Aten (2002)



Mexico stands at a historic crossroads.

How it navigates its coming demographic transformation will go a long way toward determining whether it achieves its objective of becoming a prosperous and stable developed economy.

