

# The Aging of North America’s Population: An Opportunity for Job Creation through Continental Trade

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A number of recent articles and books have pointed out that the aging of the population—much remarked in the developed countries —will also eventually affect many developing countries, including Mexico. (Tuiran 2000, Ham-Chande 2003, Welti 2004). This article argues that differences among the North American countries in the timing of the “aged wave” offer an important opportunity for mutual benefit. It addresses the immediate issue of the terms under which Mexican nationals might be legally allowed to work in the U.S. and Canada. It suggests a new possibility not only for worker remittances to Mexico, but also for capital formation for investment in a potentially growing sector of Mexico’s economy. Moreover, imaginative policies might simultaneously deal with a long-run issue that is receiving new attention in Mexico—the fact that 8 of 10 Mexicans lack old age pensions.

Table 1 shows the population distribution by age for Mexico for the years 2000, 2025 and 2050. Mexico is moving from the population structure of a developing country—with a broad base of young people, and a small proportion of elderly—to a structure where the number of old (65+) and of young (0-14) people is identical. But this latter structure will not be fully realized for several decades.

Table 1  
Mexico: Population Distribution by Age (in millions)

	0-14	15-65	65+	80+
2000	33.5 (33.5%)	61.5 (61.5%)	5.0 (5.0%)	1.0 (1.0%)
2025	30.8 (23.6%)	86.6 (66.5%)	12.8 (9.8%)	2.9 (2.2%)
2050	28.0 (18.9%)	91.8 (62.1%)	28.1 (19.0%)	8.4 (5.7%)

Source: U.S. Bureau of the Census, International Data Base.

In the United States and Canada, the transition to an older population is well under way, although steady increases in the aged (65+) and “superaged” (80+) are

projected. In the U.S., 35 million people, representing 12.4% of the population, are already over 65, and 9.3 million (3.3%) are over 80. In Canada, there are 3.0 million people over 65 and 1.0 million over 80.

It is clear from these figures that the U.S. and Canada are already facing the various economic and social issues that have been associated with large and growing numbers of older people. In Mexico, as recent studies have pointed out, the problem will be moderately large in two decades, but will not be critical until the middle of the century. Rather, Mexico's short and medium term demographic problem is finding work for the hundreds of thousands of people entering the labor force each year. This is the motivation for much of the Mexican migration, legal and illegal, to the United States. In 2000, 36% of the total Mexican population was aged 15-34, the years in which young people start to work or make training and educational choices leading to work. This compared to 28% in this age group in the United States, and 28% in Canada. Although all three countries are moving toward a structure with a higher proportion of the elderly, the process is more advanced in the U.S. than in Mexico, and yet more so in Canada.

The differences among the three countries make them ideally suited for realizing gains from trade. During the next five years, Mexico will have about as many people entering the labor force entering age cohort of 20-24 as the U.S. and Canada will have entering the "super-aged" cohort aged 80+ (roughly 10 million persons in each case). Mexico, by contrast, will have well under a million persons turning 80+.

An important component of the aging issue in all countries is the need of older people for medical care and, in many cases, help with the tasks of daily life. Of course, age alone is only a crude proxy for degree of need for care. For example, health status at a given age varies with income and, most likely, by country. Moreover, labor force participation at advanced ages tends to be higher in developing countries, of economic necessity, than in developed ones. Ham-Chande (1995) makes a useful distinction between "old age" and "senescence" as two stages of the life-cycle. It seems reasonable to assume that even if generalized health improvements increase the length, or even the proportion, of the lifespan that can be characterized as old age, a period of senescence will eventually be reached. The expected increases in the 80+ super-aged population suggest that senescence, and hence the need for care by others, is likely to increase rapidly. Yet the United States and Canada are already facing shortages of health care workers (Scanlan 2001), a situation that could be greatly exacerbated by the increased need for care of an aging population.

Table 2 offers a dramatic inter-country comparison between the number of persons potentially needing care (those aged 80+) and those who might be trained to care for them, either through education or on-job training (persons aged 15-43). These figures indicate that by 2050, Mexico is likely to face an elder-care problem almost as serious as will be faced by the U.S. and (especially) Canada. However, there is a window of opportunity of approximately two to three decades during which the problem will be far more immediate in the northern countries than in Mexico.

Table 2 Ratio of Persons Aged 15-34 to Persons Aged 80+

	2000	2025	2050
Mexico	36.5	13.6	4.4
United States	8.6	5.7	3.1
Canada	8.8	4.6	2.4

The economic recession of 2001-04 has obscured the fact that the pool of available domestic workers in the U.S. is at a long-term low point, threatening inflationary pressures when the economy returns to full employment. (See Greenspan, 2000) Inspection of the U.S. population's age structure indicates that this is not a short term problem, but one deeply rooted in demographic structure. Similarly, in Canada, economic expansion is increasingly dependent on immigration, especially because the number of Canadian young people available to enter the labor force is not only not growing, but there is an increasing loss of workers to better paid jobs in the U.S. (D'Aquino and Stewart-Patterson, 2001) This trend has caused the Canadian economy to show a dramatic increase in its dependence on immigrants. In the first half of the 1980s, 87% of the growth of Canada's work force was made up of Canadian-born workers; by the first half of the 1990s, Canadian-born workers accounted for only 29% of labor force growth.(National Post, 2001.)

Mexico's president Vicente Fox has called for a legalized immigration program, and for a program that would better mobilize for Mexico's own development the remittances made by Mexican workers in the U.S. This is particularly important in villages and small towns where NAFTA-motivated foreign investment is unlikely to go. There is likely to be much debate, and considerable political negotiation, both in Mexico and the U.S., over the structure of a possible guest-worker program and its advantages and disadvantages relative to legalizing current illegal Mexican migrants in the U.S. and/or increasing permanent immigration quotas. These issues are also being hotly debated by scholars throughout the world, who are looking at migration in terms of multiple options ranging from the worldwide mobility of highly skilled "transient professionals" to guest worker programs to free mobility of labor across specific borders.

The dramatic differences in the population age structures for Mexico, Canada and the U.S. underline the case for giving serious thought to new models for labor exchange among the North American countries. But they also suggest specific opportunities related to care of the elderly. This could help the US and Canada with a serious labor supply problem, offer an entirely new professional job ladder for Mexican nationals,

contribute to regional development in Mexico, and—decades from now—address the problem of aging of Mexico’s own population.

The general outlines of this opportunity is as follows: Young Mexican nationals could be trained in Mexico as registered nurses, licensed practical nurses, and other kinds of caregivers, work as legal but temporary migrants in the U.S. and Canada, then return to their home country to care for its increasing number of elderly. Many of these migrants will accumulate capital while they work abroad, and can return to Mexico with money to invest in nursing homes, group homes, visiting nurse services, medical supply retailers and other small businesses serving the needs of old people.

This “elder-care guest worker” program would have advantages for the Canadian and U.S. elderly, for the Mexican workers participating in it, and for Mexico as a nation.

For the U.S. and Canadian elderly population, a greatly augmented supply of trained labor would not only ease a critical shortage of long-term care facilities and reduce their costs. Lack of a dependable labor supply is a major problem for operators of nursing homes and continuing care facilities. Because wages are low by U.S. and Canadian standards, and the work is demanding, worker turnover tends to be high, productivity is low, and the quality of care is often poor. These jobs are not very appealing to U.S. workers, even during periods of high unemployment. Mexican workers, who see even the minimum wage in Canada and the U.S. as extremely attractive, are much more likely to be enthusiastic about these jobs, to work hard at them, and to stay with one employer for a longer period. Even if the program involved wage rates no lower than those now prevailing in the industry, the turnover and productivity improvements, the potential reduction in lawsuits due to poor care, and the simple reduction in uncertainty should draw more investment into elder-care and increase the supply of low-cost facilities, the type now in most critical supply.

For the Mexican workers, an “elder-care guest worker” program offers many advantages. Most obvious is legalization. This has many benefits—avoidance of a dangerous and uncertain illegal border crossing, reduction in exploitation by unscrupulous employers and labor contractors, provision of health insurance and other employee benefits, and the ability to go back and forth to Mexico for holidays and family emergencies without having to make an illegal re-entry. Most of these would be dealt with by any sort of guest worker or worker legalization program.

The “elder-care” program has many additional, and rather specific, benefits. First, and most obvious, is much higher pay than the worker could receive in Mexico. For example, even at the lower end of the caregiver scale (certified nursing assistant), wages in U.S. nursing homes are about \$8 per hour. This is dismal by U.S. standards, given the demands of the job and turnover is high. But it is more than even skilled industrial workers make in Mexico.

Second, there is a possibility of a career ladder. Quality elder care requires, at the low end of the skill continuum, people able to dress, clean, cook for and otherwise tend to

the daily needs of elders with diminished abilities. But there is a need as well for licensed practical nurses, registered nurses, home health aides, pharmacists and pharmacy assistants, physiotherapists, and occupational therapists. The existence of a clearly defined career ladder is illustrated by the qualifications of the three levels of certification of those giving direct patient care. Registered nurses must have 2-4 years of university training; licensed practical nurses require a 12-18 month college course; certified nursing assistants do not have to have a high school diploma but need 75 hours of specialized training and a competency exam. The levels are reflected in wages: \$20-30 for registered nurses, \$16-20 for licensed practical nurses, and \$8 per hour for certified nursing assistants. On the indirect side of care provision, Mexicans, after training, could be case managers, accountants and facility managers.

These skills could be taught in Mexico, along with training in English or French language. Programs of continuing education and skill improvement could be available either through distance learning or through on-site classes when the guest workers return for long vacations in Mexico. Many Mexican schools and universities are quite capable of ramping up so as to provide such training at all skill levels. Moreover, the example of the computer industry indicates that Mexican entrepreneurs are likely to respond to demand by opening private schools as well. In the last two decades there has been exceptional growth in Mexico in private higher education of all types, from computer and language training to universities. One obstacle to further growth of this sector is the fact that uncertainty of job opportunities for graduates make it difficult to finance education through loans. The elder-care guest worker program proposed here might finance training through loans guaranteed by employers in the U.S. and Canada, with regular payment deducted from the workers' wages.

But there is also, especially at the higher levels of training, an opportunity for collaborations by Mexican institutions with Canadian and U.S. universities, colleges and junior colleges, and perhaps even health care firms or associations of such firms. The collaborations could include everything from simple consulting on program design to exchanges of faculty, having the Mexican workers take part-time or full-time classes in Canada or the U.S. or provision of professional supervision in the on-job situation.

Training could also be provided by professional associations or by entirely new nonprofit entities. For example, in Chile, a non-profit organization dedicated to women's rights, Movimiento pro Emancipación de la Mujer Chileno, has begun to offer a course on care of the aged, with the dual purpose of improving the quality of services and of providing employment for women, particularly those entering the labor force with limited skills, after they have raised their children. See <http://www.memch.cl/curso/>

One might also consider the possibility of moving the clients, rather than the workers. Anthropologist Leonard Plotnicov (1994) has suggested that medium-sized cities in northern México would be in a good position to attract retired Americans as residents. However his emphasis was on the active aged, rather than those needing nursing home care. I have recently written about the phenomenon of Canadian "snowbirds," many retired, who seasonally travel to the southern U.S. and, increasingly,

Mexico, for the winter months (Coates, Healy and Morrison, 2002). It is possible that as Canadians and Americans become more comfortable with long-term stays in México, they will become interested in the possibility of consuming nursing home services within México as they move from active old age to senescence. Certainly there is recent evidence that lower costs have motivated Americans to make short term visits to buy dental and plastic surgery services in Mexico. It is also possible that in-home services may be demanded by foreign residents when one member of a couple becomes disabled, for example by Alzheimer's or Parkinson's disease, while the other remains active.

An elder care program would also have an advantage rarely mentioned in the literature. The majority of illegal Mexican workers in both the U.S. and Canada are young men. The dangers of illegally crossing the border and the possibility of sexual and other discrimination on the job has induced many young Mexican women to stop their northward journey just below the U.S. border, where they provide most of the labor force for the burgeoning maquiladora sector. Maquila wages, though higher than those in most of central Mexico, are far below even minimum wages in the U.S. Also Mexican men often work in construction, equipment operation and other jobs where few Mexican women have acquired skills. An elder-care guest worker program—while certainly not of interest only to women—would help equalize opportunity by providing jobs (and a career ladder) outside traditionally male-dominated sectors.

The proposed program also has advantages to Mexico's national economy. In the short run, it would increase remittances by the workers to relatives in Mexico. And it would diversify them, so they are not so dependent on the state of employment in construction and manufacturing, which are notoriously cyclical. But it is in the long run that the advantages would be most apparent. An elder-care guest worker program would make it possible for young, unmarried women to have a chance to climb a career ladder and accumulate capital. Much of that capital—both financial and human—could be reinvested in Mexico when the workers return. Not only could these trained people staff the facilities needed to take care of Mexico's own growing number of aged, but the more entrepreneurial spirits among the guest workers can be expected to invest in facilities. These would include the very small scale (3-10 beds) nursing homes that will eventually be critically needed in Mexico's villages, towns and small cities.

There is little doubt that demand for these facilities will eventually appear in Mexico. Just as the U.S. and Canada are now facing an immediate surge in demand for commercial elder care, Mexico will, starting in about 25 years, have to deal with a vast expansion in older people with disabilities, particularly in the 80+ age category. As the head of Mexico's National Council on Population has put it: "It is estimated that the number of people [in Mexico] with some risk of functional degeneration in old age will grow from 2 million in 2000 to 7.3 million in 2030 and 15.1 million in 2050." (Tuiran 2001:53) The significant decline in the number of children per family experienced in Mexico since 1950, and the tendency for adult children to move away from their natal community, means that in-home care will not be available for many of these people.

Traditionally, in Mexico, elders move in with one of their older children, who provide care for them while the elder in turn helps with child care. The issues stemming from this custom were the focus of the plot of Laura Esquivel's best-selling 1990 novel (and subsequent film) *Like Water for Chocolate*, which deals with the conflict arising when a strong-willed mother in an early 20<sup>th</sup> century town expects her youngest daughter to remain unmarried and to care for the mother until the mother's death. This tradition has considerable strength, but it is undermined when the older person faces a disability such as blindness, severe arthritis, Parkinson's disease, or Alzheimer's. Problems may also arise when spouses face simultaneous demands for care from super-aged parents on both sides of the family, often living in different parts of the country. Robles Silva (2001) points out, in a case study of family caregivers in Guadalajara, that even when such care is available, it comes at significant cost to the primary caregiver, almost always a woman.

The possibility of a legal migrant program to serve the elderly could also help with another problem--the fact that large numbers of Mexicans do not have adequate government or private pensions. To be sure, Mexico has been among the world leaders in reforming and privatizing its pension system. (Rodriguez 1999) Since 1997, employed persons have been able to put 11.5% of their wages into a personal retirement account (AFORES) invested in one of 14 privately managed mutual funds. With a small additional contribution by government, payments into the accounts average 13.5% of average payroll. Mexican workers have been enthusiastic about the new system, and 30 million now have accounts.

Despite this progressive system, however, there are millions of self-employed and older workers who will either have no account or who will draw only a tiny amount from the old government-run pension system. There are also millions of Mexican workers in the U.S. who are not accumulating a pension because they are paid in cash, or who contribute to the U.S. Social Security system, but have little hope of drawing a pension from it. (Many of the latter are illegals working with false papers.)

Moreover, there are doubts about whether even the workers participating in the AFORES system will actually receive adequate payments in their retirement years. A recent study points out that of the 30.3 million workers currently signed up for the AFORES system, only 12.3 million were active. Thus "the Mexican pension system is not healthy, given that almost 60 percent of the people signed up...make no contributions because they have no job." (Soria 2004) Moreover, the investment performance of the mutual funds is not keeping up with inflation, due in the main to conservative investments in government bonds, and high commissions to the mutual fund managers. (Soria 2004).

A legal temporary migrant program could, with an appropriate agreement between the U.S., Canada and Mexico, allow Mexicans working abroad to contribute to their Mexican pension account. The workers could also get the benefit of the employer's contribution, which in the U.S. amounts to 7.65% (combined Social Security and Medicare rate) of the first \$76,200 of covered wages. A binational agreement could take

care of matters such as disability insurance, health insurance, and emergency medical repatriation.

The payment into Mexico's pension system by workers temporarily in the U.S. is not as unprecedented as it might appear. The U.S. has agreements with Canada and 16 other countries, not including Mexico, that provide for coordination of collection of Social Security taxes, including provision for persons temporarily working in the U.S. to pay into foreign systems.

The social security system could be used to deal with the objection most frequently raised against guest worker programs generally—that many of the workers become permanent migrants. A worker with a growing financial nest egg in Mexico would have a real incentive to return. It would not be difficult to develop a bonus addition to the account available only on return, or a financial penalty if the worker does not come back to Mexico. The social security accounts could also be integrated into some version of the community reinvestment program proposed by President Fox. For example, returning workers might be given the opportunity to borrow against their social security account, with a government match, if buying a house or business in Mexico.

The existence of a substantial cadre of Mexican nationals trained at a variety of levels in the care of the aged will also help Mexico with another important policy issue. It is clear that Mexico does not have, either in the public purse or in private savings, sufficient financial resources to care for aged, particularly the sick or feeble persons most likely to be found among the super-aged. One option is to put part of the burden of care on the aged themselves, with the younger and healthier providing some of the care for those needing it most. For example, a healthy person in the 65-75 group might amass credits for their own future care by providing services to others.

This option has much in common with the classic problem of the "volunteer" in various forms of social service. Volunteers can be very helpful if they are well-trained and well-supervised; they can be a disaster if they are not. If Mexico takes advantage of the twenty or so years before its own aged wave strikes, it can create a world-class elder care system, ranging from physicians and administrators to nurses and therapists and personal aides and then to volunteers. The lower part of the system will work only if the upper part is strong. The proposal for using international exchange (and upgraded Mexican training institutions) is an unusual opportunity for Mexico to build such a system, financed by the aged of Canada and the United States.

The substantial advantages of the proposed program should not blind us to the serious problems it would confront. There are many stakeholders in the current Canadian and U.S. system for caring for the elderly. Nurses' associations, hospitals, licensing authorities, immigration enforcement agencies, health insurance and health maintenance companies, and state and local government officials are only some of those who would want a say in how such a system was designed, or whether it would exist at all. And each

of these stakeholders has a corresponding counterpart in Mexico itself. For example, how would authorities licensing nurses in Mexico take account of training and experience obtained in the U.S. or Canada?

The aging of the world's population—and especially the rapidly growing number of “super-aged”—will almost certainly be one of the great social problems of the 21<sup>st</sup> century. Most discussion of the issue has been in terms of the certain growth, during the next two or three decades, of the super-aged population in developed countries. Recently, demographers and other social scientists have been pointing out that countries such as Mexico will also experience the aging phenomenon, though with a delay. The proposal outlined above, for an elder-care guest worker program involving Canada, Mexico and the U.S., offers one way of combining a relatively rapid response to the problems of the two richer NAFTA partners, while building an infrastructure that Mexico could use when the time comes to confront its own aging-population crisis.

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