

Living Wage Update Report: Michoacán, Mexico, 2022

Living Wage Update Report No. 2022-04-05



Cost of decent standard
of living for a family

MXN 18,571
(USD 904)



Living Wage
per month

MXN 13,117
(USD 639)



Photo by: *El semental ingles*, via [wikimeida commons](#).

Living Wage Update Report: Michoacán, Mexico, 2022

By:

Lykke E. Andersen^{*}

Agnes Medinaceli^{**}

Alejandra Gonzales^{***}

Richard Anker^{****}

Martha Anker^{****}

Abstract:

This report provides updated estimates of family living income expenses and living wage for the state of Michoacán, Mexico. This region is strategic regarding the production of avocados, strawberries, berries, sugar cane, and corn. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in October 2020 (Delajara, et al., 2020).

Keywords: Living costs, living wages, Anker Methodology, Mexico

JEL classifications: J30, J50, J80.

^{*} SDSN Bolivia, E-mail: Lykke.E.Andersen@gmail.com.

^{**} SDSN Bolivia, E-mail: agnes.medinaceli@gmail.com.

^{***} SDSN Bolivia, E-mail: Alejandra.Gonzales@sdsnbolivia.org.

^{****} Anker Research Institute, E-mail: marthaandrighard@gmail.com.

1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2022 for the non-metropolitan urban and rural Northwestern regions of Michoacán, Mexico. This update takes into account the amount of inflation since the original study in October 2020. This is done by updating the October 2020 net living wage and family living income expenses to December 2021 by inflation and then adding expected inflation for 2022. This provides average living wage and living income expenses estimates for 2022. Without accounting for inflation, the net living wage estimated in 2020 would not be sufficient for workers to have a basic but decent standard of living in 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) also takes into account income taxes and mandatory deductions from pay that workers need to pay on the updated 2022 living wage. This is done using laws in force in March 2022.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN OCTOBER 2020

The net living wage was estimated as MXN 10,223 (USD 543) in October 2020 in the original living wage country report. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as MXN 11,782 (USD 625) in October 2020. The living income expenses for a basic but decent standard of living for a reference size family in the original country report was estimated as MXN 16,664 (USD 884) in October 2020 (Delajara et al., 2020).

3. INFLATION RATE USED FOR UPDATE

The National Institute of Statistics and Geography (INEGI, for its acronym in Spanish) is responsible for computing and reporting price indices and inflation in Mexico. It reports one consumer price index: National Consumer Price Index (INPC, for its acronym in Spanish). The geographic coverage for price collection covers 55 geographic areas and 7 regions.¹ This report uses the INPC with base in 2018.

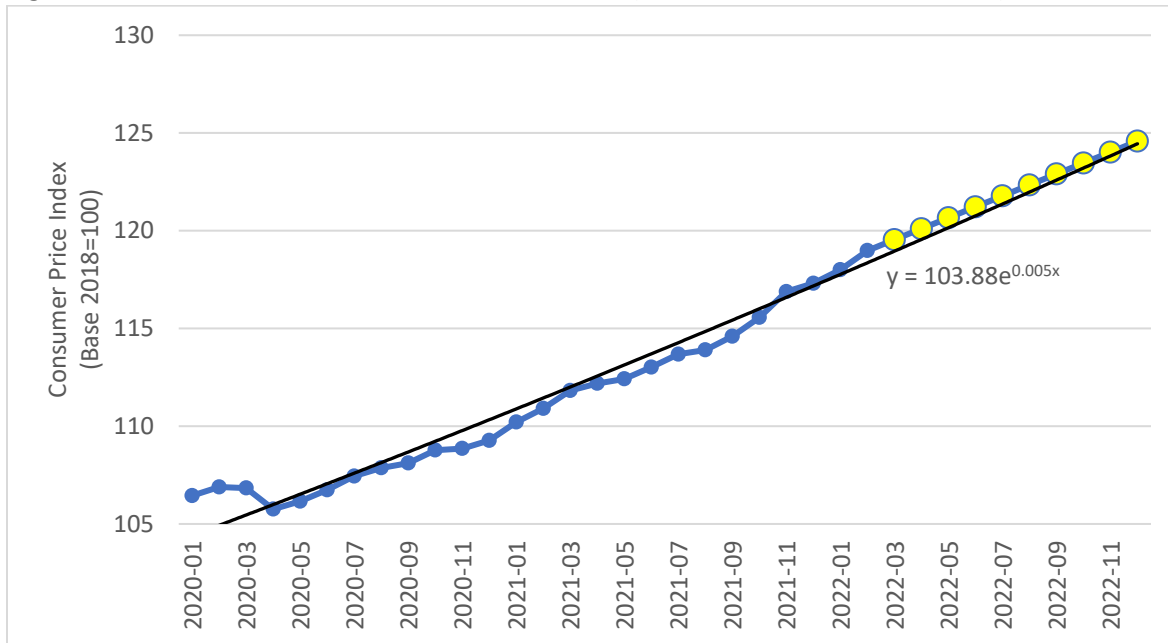
4. RECENT LEVEL OF INFLATION

Between October 2020 and December 2021, accumulated inflation amounted to 7.85% in Mexico. The IMF projects that the inflation rate in Mexico for 2022 will be 3.8%,² but this value seems too low given recent developments. Trading Economics provides a more updated projection of 6.2%,³ and this projection was added to the Consumer Price Index numbers in Figure 1, while taking into account observed inflation for January and February 2022.

¹ See <https://www.inegi.org.mx/contenidos/programas/inpc/2018/doc/presentacion.pdf>

² See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/ECU>. Information accessed 29 March 2022.

³ See <https://tradingeconomics.com/mexico/inflation-cpi>. Information accessed: 29 March 2022.

Figure 1: National Consumer Price Index for Mexico (October 2020-December 2022)

Notes: Yellow circles show the forecasts for 2022. The black line is the fitted exponential trend.

Source: Authors' calculations based on CPI data from INEGI.

5. MANDATORY DEDUCTIONS

Workers in Mexico start paying income taxes from very low levels of income, and workers earning a living wage have to pay a 17.92% mandatory marginal income tax rate in 2022.⁴ This is different from the original study in 2020, when the income tax rate was a flat rate of 10.5% for the living wage. Furthermore, social security contributions by workers to the IMSS (Instituto Mexicano de Seguro Social) were 2.7% in 2020, according to the original study report. As of March 2022, no further changes have been implemented.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for 2022 is MXN 11,393 (USD 555) per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is MXN 13,117 (USD 639) per month for 2022. These are average estimates for the year 2022.

Table 1 provides details of the original and the updated living wages and family living expenses.

⁴ See <https://taxsummaries.pwc.com/mexico/individual/taxes-on-personal-income>

Table 1: Living Expenses and Living Wages for Michoacán, México (in Mexican pesos and US Dollars)

| | October 2020 Original Study Date | | 2022 Update Report | |
|--|-------------------------------------|-----|-----------------------|-----|
| | MXN | USD | MXN | USD |
| Family Living Expenses (1) | 16,664 | 884 | 18,571 | 904 |
| Net Living Wage (2) | 10,223 | 543 | 11,393 | 555 |
| Total mandatory payroll deductions and income tax (3) | 1,559 | 83 | 1,724 | 84 |
| Gross living wage (2+3) | 11,782 | 625 | 13,117 | 639 |
| Exchange rate mid month/estimate (MXN/USD): | 18.84 | | 20.54* | |

*Note: The expected average exchange rate for 2022 was estimated as the average for the year so far (1 January 2022 – 25 March 2022), since there is no clear trend neither up nor down in this time period and even back to July 2021. Still, given the uncertainty around the future exchange rate, values in USD are indicative only.

Source: Authors' calculations.

7. REFERENCES

Delajara, M., Espinosa, R., Fonseca, C., Anker, M. & Anker, R. (2020). Living Wage Report: Michoacán, Mexico. Non-metropolitan urban and rural northwestern regions. Available online: https://globallivingwage.org/wp-content/uploads/2021/01/LW-Report_Michoacan_2020-update-1.pdf