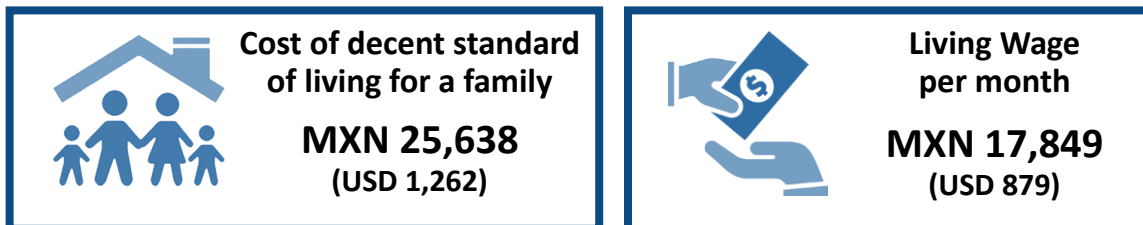


Living Wage Update Report: Baja California, Mexico, 2022

Living Wage Update Report No. 2022-04-30

Municipality of Ensenada



Municipality of San Quintín



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Living Wage Update Report: Baja California, 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 municipalities of Ensenada and San Quintín, located in the center and south of Baja California, Mexico. These municipalities are strategic regarding agriculture, fishing, and to a lesser extent industry. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in January 2021 (Delajara, et al., 2021).

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

JEL classifications: J30, J50, J80.

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

^{**} SDSN Bolivia, email: agnes.medinaceli@gmail.com.

^{***} SDSN Bolivia, email: Alejandra.Gonzales@sdsnbolivia.org.

^{****} Anker Research Institute, email: marthaandrRichard@gmail.com.

1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2022 for the municipalities of Ensenada and San Quintín, located in the center and south of Baja California, Mexico. These municipalities concentrate in agriculture and fishing, and to a lesser extent in industry. This update takes into account the amount of inflation since the original study in January 2021. This is done by updating the January 2021 net living wage and family living income expenses to June 2022 by inflation and then adding expected inflation for the rest of 2022 according to the International Monetary Fund (IMF). This provides average living wage and living income expenses estimates for 2022. Without accounting for inflation, the net living wage estimated in 2021 would not be sufficient for workers to have a decent standard of living in 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 2022 by also taking into account income taxes and mandatory deductions from pay that workers need to pay on the updated 2022 living wage, using laws in force in March 2022.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN JANUARY 2021

The net living wage for the municipality of Ensenada was estimated as MXN 13,539 (USD 680) and for the municipality of San Quintín as MXN 12,835 (USD 645) in January 2021 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 for the municipality of Ensenada as MXN 15,929 (USD 800) and for the municipality of San Quintín as MXN 15,009 (USD 754) in January 2021. The living income expenses for a reference size family in the original country report were estimated for the municipalities of Ensenada as MXN 23,152 (USD 1,163) and San Quintín as MXN 21,692 (USD 1,090) (Delajara, et al., 2021).

3. INFLATION RATE USED FOR UPDATE

The National Institute of Statistics and Geography (INEGI, for its acronym in Spanish) is the government body 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 is made up of 55 geographic areas and 7 regions.¹ This report uses the INPC with base in 2018.

4. RECENT LEVEL OF INFLATION

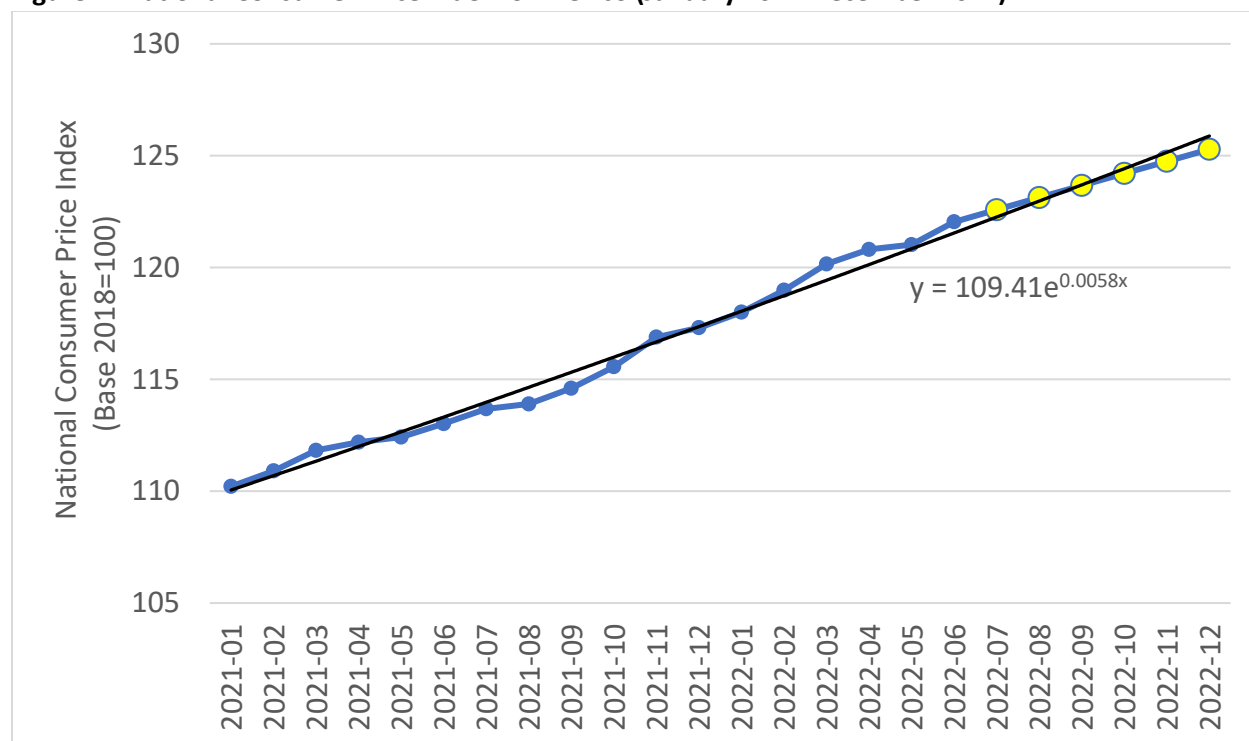
Between January 2021 (study date) and December 2021, accumulated inflation amounted to 6.44% in Mexico. The IMF projects that the inflation rate in Mexico for 2022 will be 6.8%² and this projection was

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

² See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/MEX> Information accessed 25 April 2022.

added to the Consumer Price Index numbers in Figure 1, while taking into account observed inflation for the first six months of 2022.

Figure 1: National Consumer Price Index for Mexico (January 2021-December 2022)



Notes: The green dot shows the month of the original study, while the yellow dots 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

On 8 September 2021, the Mexican president proposed to the Mexican Congress an economic package, which included the implementation of a new Income Tax Law. This new law, which was implemented in January 2022, does not add new taxes or increases to the existing ones.³ Hence, this report keeps the same income tax rates as the original study, but since the updated living wage is higher the marginal income tax rate is higher by around 1% and as a result the amount of income tax due on the updated gross living wage is slightly higher (Delajara, et al., 2021). There are also social security contributions by workers to the IMSS (Instituto Mexicano de Seguro Social) which were 2.7% in 2021 in both municipalities according to the original study report. This rate remains applicable in 2022.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, in the municipality of Ensenada for 2022 is MXN 14,993 (USD 738) per month. The gross living wage (aka living wage), which also considers income taxes and

³ See <https://home.kpmg/mx/es/home/tendencias/2021/09/flash-mexican-tax-reform-initiative-for-2022.html>

mandatory payroll deductions, is MXN 17,849 (USD 879) 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 for Ensenada.

Table 1: Living Expenses and Living Wages for the municipality of Ensenada, México (in Mexican pesos and US Dollars)

	January 2021 Original Study Date		2022 Update Report	
	MXN	USD	MXN	USD
Family Living Expenses (1)	23,152	1,163	25,638	1,262
Net Living Wage (2)	13,539	680	14,993	738
Total mandatory payroll deductions and income tax (3)	2,389	120	2,856	141
Gross living wage (2+3)	15,929	800	17,849	879
Exchange rate mid month/estimate (MXN/USD):	19.90		20.31*	

**Note:* The expected average exchange rate for 2022 was estimated based on the average exchange rate 1 January 2022 – 25 July 2022, since there is no clear trend neither up nor down. Still, given the uncertainty around the future exchange rate, values in USD are indicative only.

Source: Authors' calculations.

Regarding the municipality of San Quintín, the updated net living wage, or take-home pay, for 2022 is MXN 14,213 (USD 700) per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is MXN 16,829 (USD 828) per month for 2022. These are average estimates for the year 2022. Table 2 provides details of the original and the updated living wages and family living expenses for San Quintin.

Table 2: Living Expenses and Living Wages for the municipality of San Quintin, México (in Mexican pesos and US Dollars)

	January 2021 Original Study Date		2022 Update Report	
	MXN	USD	MXN	USD
Family Living Expenses (1)	21,692	1,090	24,021	1,183
Net Living Wage (2)	12,835	645	14,213	700
Total mandatory payroll deductions and income tax (3)	2,174	109	2,607	128
Gross living wage (2+3)	15,009	745	16,820	828
Exchange rate mid month/estimate (MXN/USD):	19.90		20.31*	

Note: The expected average exchange rate for 2022 was estimated based on the average exchange rate for 1 January 2022 – 25 July 2022, since there has not been a clear trend neither up nor down. Note that the exchange rate in mid-June 2022 is very similar. 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., and Anker, R. (2021). *Living Wage Report: Baja California, México – Municipalities of Ensenada and San Quintín*. Available online: <https://globallivingwage.org/wp-content/uploads/2021/11/Baja-Cali-LW-Benchmark.pdf>