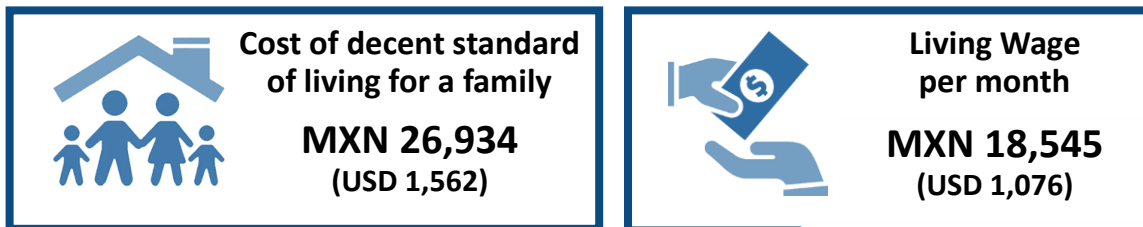


# Living Wage Update Report: Baja California, Mexico, 2023

Living Wage Update Report No. 23-04-19

## Municipality of Ensenada



## Municipality of San Quintín

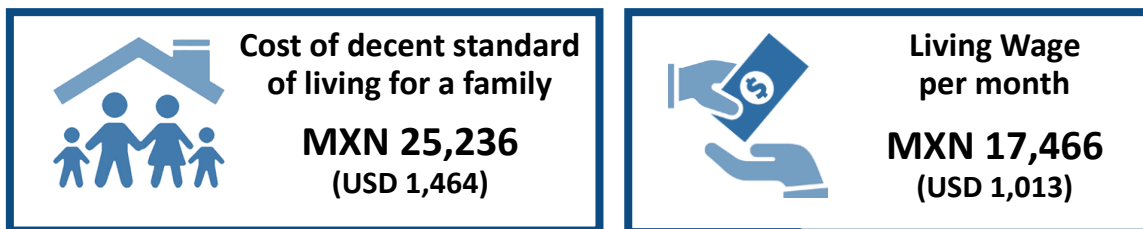


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# Living Wage Update Report: Baja California, Mexico, 2023

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## **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 2023 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.

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## 1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2023 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 2023 by inflation. This provides average living wage and living income expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2021 would not be sufficient for workers to have a basic but decent standard of living in 2023 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 2023 by also taking into account income taxes and mandatory deductions from pay, that workers need to pay on the updated 2023 living wage. This is done using laws in force in June 2023.

## 2. LIVING WAGE AND LIVING EXPENSES ESTIMATES IN ORIGINAL REPORT FROM 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 basic but decent standard of living for a reference size family in the original country report were estimated as MXN 23,152 (USD 1,163) and MXN 21,692 (USD 1,090) for the municipalities of Ensenada and San Quintín, respectively (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.<sup>1</sup> This report uses the INPC with base in 2018.

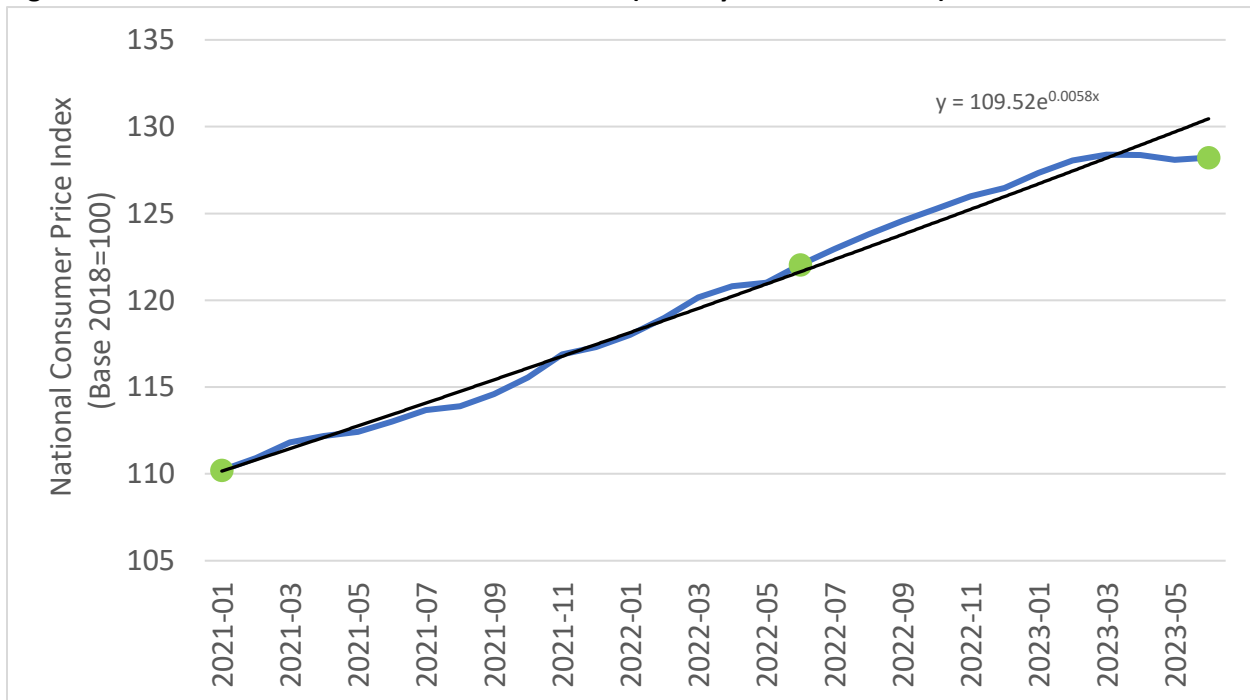
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<sup>1</sup> See <https://www.inegi.org.mx/contenidos/programas/inpc/2018/doc/presentacion.pdf>

#### 4. RECENT LEVEL OF INFLATION

Between January 2021 and June 2023, inflation amounted to 16.3% in Mexico (see Figure 1). This is the inflation used in this report.

**Figure 1: National Consumer Price Index for Mexico (January 2021 - June 2023)**



Notes: Green circle shows the original study and earlier updates. 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 in Baja California have to pay a 21.36% mandatory income tax at the margin on a living wage in 2023.<sup>2</sup> Income taxes in Mexico are complicated and vary from person to person, since there are many income tax deductions such as for education, healthcare, home mortgage interest, retirement accounts, and charitable contributions and for this reason our estimate of income tax due on a living wage is approximate. In the same way, social security contributions by workers to the IMSS (Instituto Mexicano de Seguro Social) are calculated by applying a basic quota with a rate that varies with the salary, and additional fixed rates for different concepts. In the case of the original study for Baja California the effective rate was approximately 2.7% of the gross wage in 2022, and no changes have been implemented as of June 2023.

<sup>2</sup> See <https://taxsummaries.pwc.com/mexico/individual/taxes-on-personal-income>

It is worth noting that in Mexico only formal workers have to pay income tax and contribute to social security. This report takes into account mandatory deductions because the current policy of the Anker Research Institute and the Global Living Wage Coalition is that the operative living wage for a location should be for formal sector workers, in part because it is important to avoid a race to the bottom on wages and in part because informal sector workers have additional uncertainties and insecurities and costs.

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, in the municipality of Ensenada for June 2023 is MXN 15,751 (USD 914) per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is MXN 18,545 (USD 1,076) per month. These are average estimates for the year 2023.

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		2023 Update Report	
	MXN	USD	MXN	USD	MXN	USD
<b>Family Living Expenses (1)</b>	23,152	1,163	25,638	1,262	26,934	1,562
<b>Net Living Wage (2)</b>	13,539	680	14,993	738	15,751	914
<b>Total mandatory payroll deductions and income tax (3)</b>	2,389	120	2,856	141	2,794	162
<b>Gross Living Wage (2+3)</b>	15,929	800	17,849	879	18,545	1,076
<b>Exchange Rate to USD</b>	19.90		20.31		17.24 <sup>a</sup>	
<b>Source of Exchange Rate</b>	Original Report		Bank of Mexico		Bank of Mexico	

Note: USD values are indicative only because exchange rates are volatile. <sup>a</sup>Average exchange rate for June 2023

Source: Authors' calculations.

Regarding the municipality of San Quintín, the updated net living wage, or take-home pay, for June 2023 is MXN 14,932 (USD 866) per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is MXN 17,466 (USD 1,013) per month. These are average estimates for the year 2023.

Table 2 provides details of the original and the updated living wages and family living expenses for San Quintín.

**Table 2: Living Expenses and Living Wages for the municipality of San Quintín, Mexico (in Mexican Pesos and US Dollars)**

	January 2021 Original Study Date		2022 Update Report		2023 Update Report	
	MXN	USD	MXN	USD	MXN	USD
<b>Family Living Expenses (1)</b>	21,692	1,090	24,021	1,183	25,236	1,464
<b>Net Living Wage (2)</b>	12,835	645	14,213	700	14,932	866
<b>Total mandatory payroll deductions and income tax (3)</b>	2,174	109	2,607	128	2,534	147
<b>Gross Living Wage (2+3)</b>	15,009	754	16,820	828	17,466	1,013
<b>Exchange Rate to USD</b>	19.90		20.31		17.24 <sup>a</sup>	
<b>Source of Exchange Rate</b>	Original Report		Bank of Mexico		Bank of Mexico	

Note: USD values are indicative only because exchange rates are volatile. <sup>a</sup>Average exchange rate for June 2023

Source: Authors' calculations.

## 7. REFERENCES

- Andersen, L. E., Medinaceli, A., Gonzales, A., Anker, M. & Anker, R. (2022). *Living Wage Update Report: Baja California, Mexico, 2022*. Living Wage Update Report No. 2022-04-30. Available online: [https://www.globallivingwage.org/wp-content/uploads/2021/01/Updatereport\\_Mexico\\_BajaCalifornia\\_2022\\_250722-FINAL.pdf](https://www.globallivingwage.org/wp-content/uploads/2021/01/Updatereport_Mexico_BajaCalifornia_2022_250722-FINAL.pdf)
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