

Living Wage Update Report Michoacán, Mexico 2022

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 <p>Cost of decent standard of living for a family</p> <p>MXN 18,697 (USD 934)</p>	 <p>Living Wage per month</p> <p>MXN 13,214 (USD 660)</p>
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Abstract:

This estimate has been revised to reflect the actual inflation rate in the country during 2022. The 2022 update previously published was calculated with the IMF projected inflation for the year.

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 June 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.

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1. BACKGROUND

This report updates the Anker living wage and family living income expenses to June 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 June 2022 by inflation. 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 June 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to mid-2022 by also taking into account income taxes and mandatory deductions from pay that workers need to pay on the updated living wage using current laws.

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 family living income expenses for a basic but decent standard of living 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

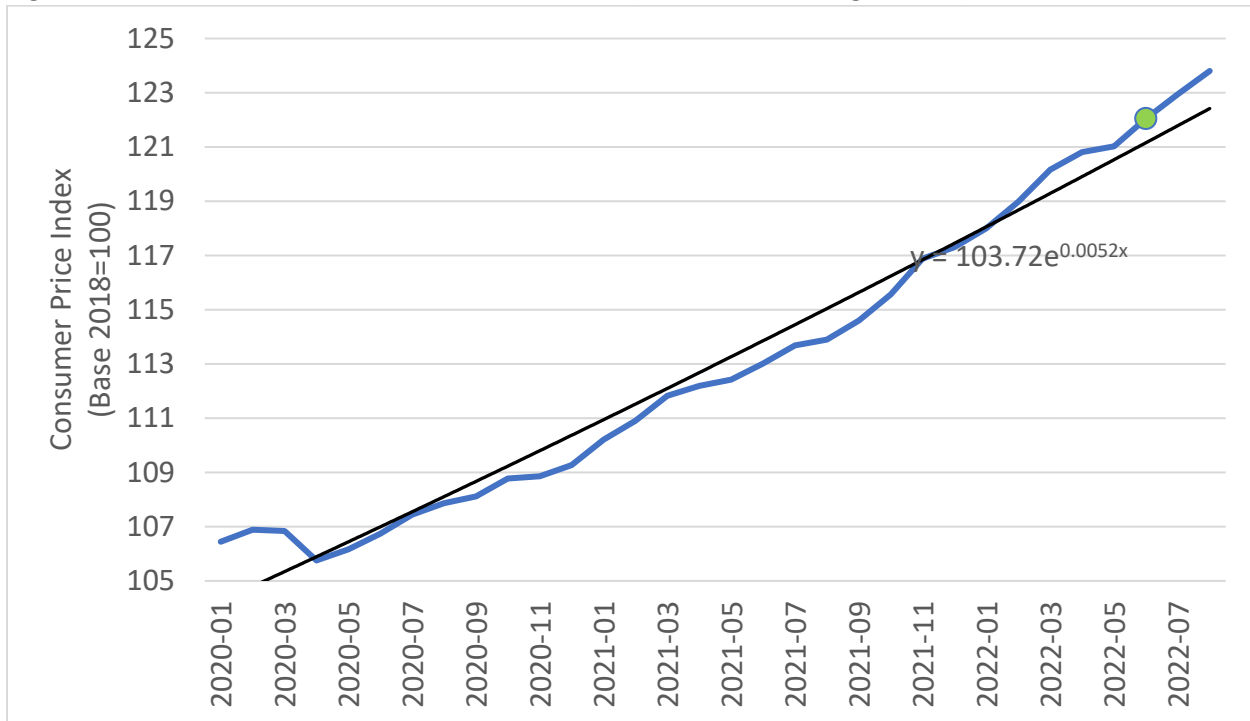
The National Institute of Statistics and Geography (INEGI, for its acronym in Spanish) is responsible for computing and reporting price indices and inflation in Mexico. It reports one consumer price index: National Consumer Price Index (INPC, for its acronym in Spanish). The geographic coverage for price collection 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 October 2020 and June 2022, accumulated inflation amounted to 12.2% in Mexico, as is shown below in Figure 1.

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

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



Notes: Green circle shows the update for June 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 income tax at the margin on a living wage in 2022.² 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. Furthermore, social security contributions by workers to the IMSS (Instituto Mexicano de Seguro Social) was 2.7% in 2020 and no changes have been implemented as of June 2022.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for June 2022 is MXN 11,470 (USD 573) per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is MXN 13,214 (USD 660) per month for June 2022.

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

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

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

	October 2020 Original Study		June 2022 Update Report	
	MXN	USD ^a	MXN	USD ^a
Family living expenses (1)	16,664	884	18,697	934
Net living wage (2)	10,223	543	11,470	573
Mandatory payroll deductions and income tax (3)	1,559	83	1,744	87
Gross living wage (4) = (2) + (3)	11,782	625	13,214	660
Exchange rate to USD	18.84		20.02 ^b	

*Note: ^a USD values are indicative only because exchange rates are volatile. ^b Average exchange rate for June 2022. Banco de México.

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