

Living Wage Update Report: Yucatán, Mexico, 2023

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Cost of decent standard
of living for a family

MXN 18,037
(USD 1,046)



Living Wage
per month

MXN 11,927
(USD 692)



Photo by: Alejandro Linares Garcia, via [wikimeida commons](https://commons.wikimedia.org/wiki/File:Textiles_of_Yucatán_Mexico.jpg).

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Abstract:

This report provides updated estimates of family living income expenses and living wage for 2023 for rural areas and small towns of Yucatán, Mexico. The update for June 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in July 2022 (Delajara, et al., 2022).

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 rural areas and small towns in Yucatán, Mexico. This update takes into account the amount of inflation since the original study in July 2022. This is done by updating the July 2022 net living wage and family living income expenses to June 2023 by inflation. This provides average living wage and living expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2022 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 JULY 2022

The net living wage was estimated as MXN 10,174 (USD 496) in July 2022 in the original living wage report. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as MXN 11,550 (USD 563) in July 2022. The family living income expenses for a basic but decent standard of living in the original country report was estimated as MXN 17,296 (USD 842) in July 2022 (Delajara et al., 2022).

3. INFLATION RATE USED FOR UPDATE

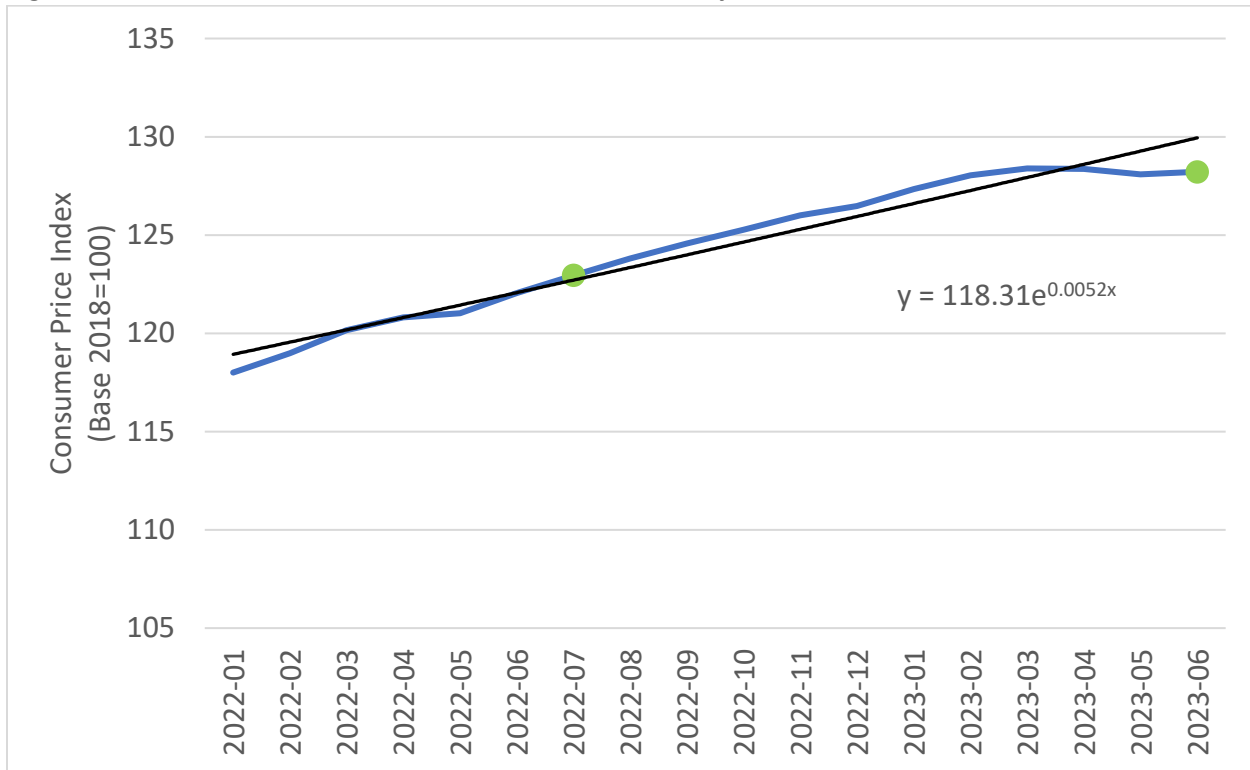
The National Institute of Statistics and Geography (INEGI, for its acronym in Spanish) is the government body responsible for computing and reporting price indices and inflation in Mexico. It reports one consumer price index: National Consumer Price Index (INPC, for its acronym in Spanish). The geographic 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 July 2022 and June 2023, inflation amounted to 4.3% in Mexico (see Figure 1). This is the inflation used in this report.

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

Figure 1: National Consumer Price Index for Mexico, January 2022 to 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 Yucatán have to pay a 16.00% mandatory income tax at the margin on a living wage in 2023.² 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. 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 Yucatán the effective rate was approximately 2.48% of the gross wage in 2022, and no changes have been implemented as of June 2023.

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

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

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, for June 2023 is MXN 10,610 (USD 615) per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is MXN 11,927 (USD 692) per month for June 2023. These are average estimates for the year 2023.

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

Table 1: Family Living Expenses and Living Wages for Yucatán, Mexico (in Mexican Pesos and US Dollars per month)

	July 2022 Original Study Date		2023 Update Report	
	MXN	USD	MXN	USD
Family Living Expenses (1)	17,296	842	18,037	1,046
Net Living Wage (2)	10,174	496	10,610	615
Total mandatory payroll deductions and income tax (3)	1,376	67	1,317	76
Gross Living Wage (2+3)	11,550	563	11,927	692
Exchange rate to USD	20.53		17.24 ^a	
Source of Exchange Rate	Original Report		Bank of Mexico	

Note: USD values are indicative only because exchange rates are volatile. ^aAverage exchange rate for June 2023.
Source: Authors' calculations.

7. REFERENCES

Delajara, M., Espinosa, R., León, L, Aban Tamayo, J., Anker, M. & Anker, R. (2022) *Living Income and Living Wage Report: Rural Areas and Small Towns in Yucatán, Mexico (with focus on garment industry)*. Global Living Wage Coalition. Available online: https://www.globallivingwage.org/wp-content/uploads/2023/05/Benchmark_LIVING-INCOME-AND-LIVING-WAGE-REPORT_for-rural-areas-and-small-towns-in-Yucatan-Mexico-FINAL.pdf