

The Slow Pace of Mexico's Labor Market Recovery After COVID-19

Roberto Gutierrez-Rodriguez^δ

ABSTRACT

This document aims to assess the recovery of Mexico's labor market following the COVID-19 pandemic. In 2020, the country experienced a significant decline in gross domestic product, the most severe since the crisis of 1982, which also had a profound impact on labor market conditions. The economy was heavily reliant on oil exports, and the country faced challenges due to low oil prices and a sharp increase in international interest rates, as it was one of the most indebted countries globally. The analysis in the document relies solely on official data and employs comparative statistical methods. The hypothesis posits that four years after the 2020 crisis, Mexico's per capita GDP and most labor market indicators have not fully recovered to pre-pandemic levels. While the potential for recovery exists, various factors, including government actions and external conditions, have significantly altered the landscape. Internally, Mexico has implemented a range of social programs aimed at boosting basic incomes, albeit at the expense of capital investment and human capital development, particularly in education, training, health, capacity building, and science and technology. Externally, barriers to free trade and foreign investment have been erected, clouding Mexico's short-term economic outlook.

Journal: Boston Research Journal of Social Sciences & Humanities

Keywords: COVID-19, economic growth, labor market, minimum wages, social programs

Accepted: 12 September 2025

Published: 15 December 2025

ISSN: Online ISSN: 2834-4863 | Print ISSN: 2834-4855

Language: English

Research ID: f1d8ec29-5d65-402d-93d4-5e2156718e47

Type: Peer-Reviewed Research Article (Open Access)



The authors declare that no competing interests exist. The authors contributed equally to this work.

This article is distributed under the terms of the Creative Commons Attribution License as an open access article. CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>)

Read Online: <https://rebrand.ly/x6595p4>

Author(s): ^δ – Professor and researcher, Autonomous Metropolitan University, Campus Iztapalapa (UAM-Iztapalapa) Department of Economics, Mexico City

I. INTRODUCTION

The National Institute of Statistics and Geography of Mexico (INEGI) is responsible for the

National Information System (SNI), from which the National Accounts System (SCN) is generated. This system relies on censuses, surveys, and administrative registers processed or adapted to the SCN by INEGI. The two most important surveys

are largely the National Household Income and Expenditure Survey (ENIGH) and the National Survey of Occupation and Employment (ENOE). The ENIGH is conducted every other year based on a sample of over 105,000 families. The ENOE is conducted quarterly and involves 132,000 families, with a fifth of the sample visited each quarter in a rotating manner to ensure 80% of the sample is revisited from the previous quarter.

According to ENIGH, two-thirds of Mexicans' current income corresponds to labor activities. This suggests that the labor market was likely the main driver of the increase in household income during 2016–2024 as reported by the ENIGH 2022 and the ENIGH 2024 (INEGI 2025a and 2025b). To sustain this trend, it is important to have not only political will manifested in yearly minimum wage increases and the expansion of social programs to supplement the income of vulnerable individuals, both depending on the Executive mandate, but also to improve economic growth and attend to labor market conditions. A complementary source for INEGI's labor market information is the administrative register of the Mexican Institute of Social Security (IMSS), to which employees working for a private entrepreneur must be incorporated to have access to social security benefits, granted by law.

To assess the extent of Mexico's labor market recovery post-COVID-19, the study must examine the pre-pandemic, pandemic, and post-pandemic labor market conditions. The reasons behind the consistently low average wages, labor force participation, labor productivity, and other vulnerabilities in the labor market should be examined. These issues have been somewhat hidden by the increase in minimum wages and significant government support through social programs from 2019–2024.

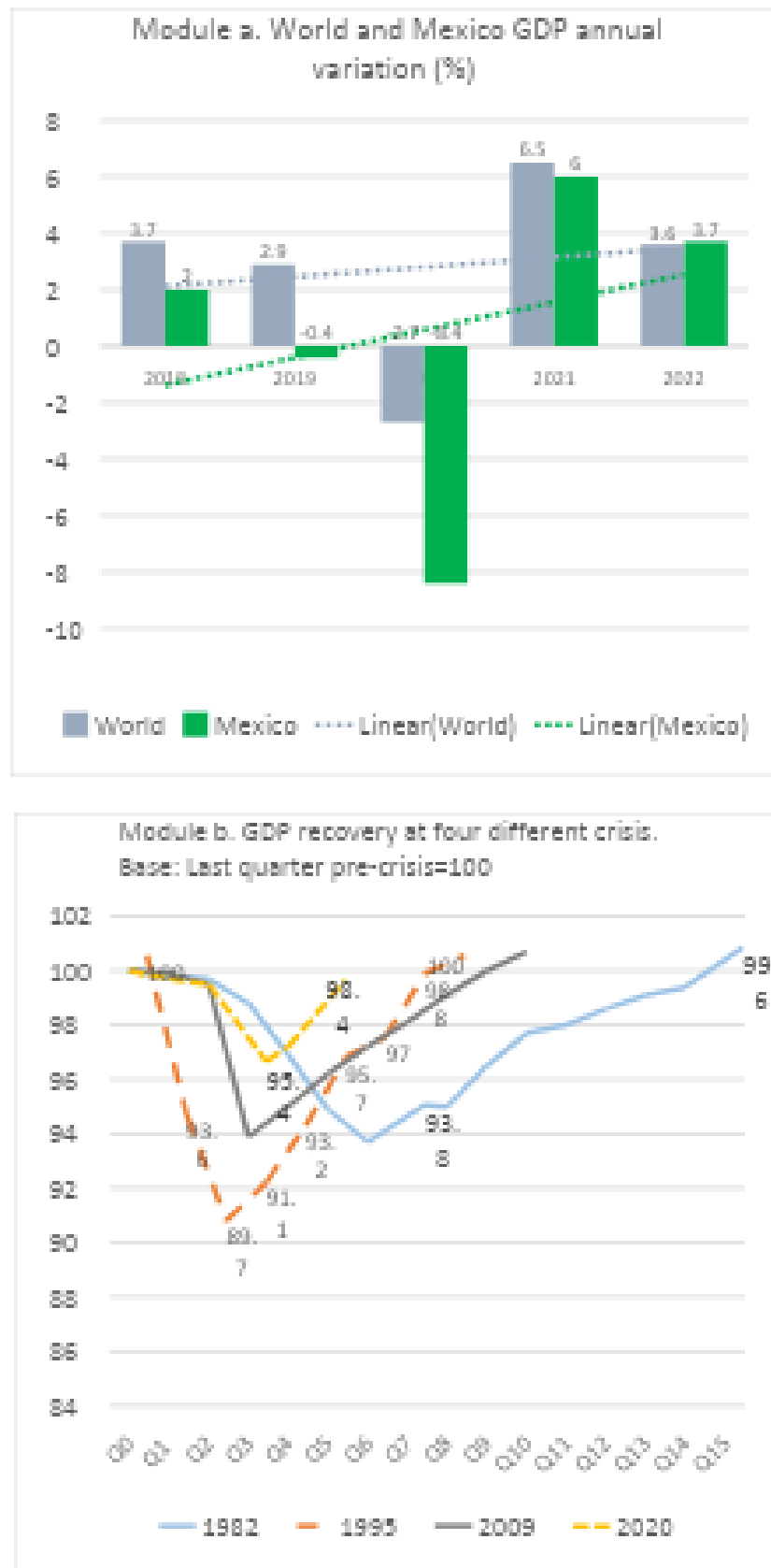
To carry out the analysis, the work is divided into five parts. In the first part, the situation for the economy and the labor market during the period 2018–2022, in which the pandemic is involved, is analyzed, referring to the point of view of some experts and institutions who predicted a rapid and full recovery. In the second part, the increase of the minimum wage, which started before 2019, is analyzed. The third part analyzes the extent to which the Mexican labor market operates considering its weaknesses and inconsistencies, especially the informal sector and the low level of the inactivity rate, which in Mexico evokes

occupation more than employment. The fourth part analyzes the distortions of the labor market accentuated during 2018–2024 because of the more than 20% annual average increase in the minimum wage. Finally, a results and discussion section is added, as well as the conclusions.

II. THE OFFICIAL IDEA OF RECOVERY

As early as late 2021, both the Secretariat of Finance and Public Credit (SHCP) and various academics proclaimed that the economy had returned to the level it was before the COVID-19 pandemic, citing two key factors. First, following a significant decline in Mexico's Gross Domestic Product (GDP) in 2020 (–8.4%), which was three times deeper than the global average (–2.7%), the economy grew by 6.5% in 2021, surpassing the global average growth rate of 6%, as depicted in Figure 1, module a. Second, based on the quarter indexes set at 100 before the crisis, the recovery after the 2020 crisis was the quickest and most seamless among the four major Mexican crises between 1982 and 2020. The corresponding V-shaped line for that year indicates that the lowest point reached was 95.4, with the recovery spanning over 5 quarters. These figures are lower than those for the other crises: 93.6 for 2019, which recovered after 10 quarters; 93.8 for 1982, which recovered after 15 quarters; and 89.7 for 1995, which recovered after 8 quarters, as shown in module b.

Figure 1: Post-COVID-19 world-Mexico recovery (module a) and GDP recovery in Mexico after four crises (module b)



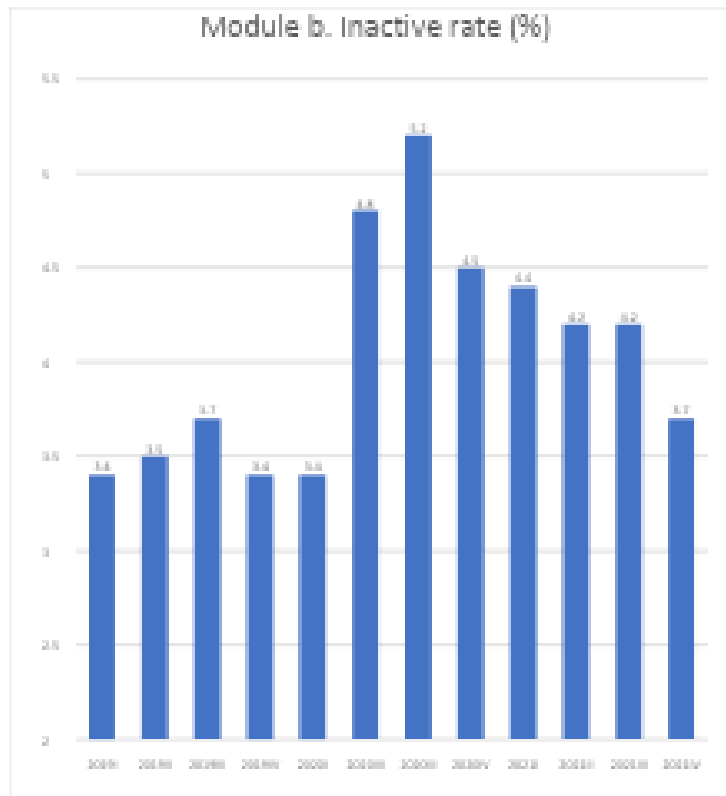
Source: INEGI (2025a) and World Bank (2025).

Furthermore, the SHCP and some academics stated at that time that the number of formally paid registered workers of the private sector with the IMSS reached its lowest point in the third quarter of 2020 but then reversed course and exceeded the pre-2020 COVID-19 levels by the third quarter of 2021. This is illustrated in Figure 2, module a, where the left axis shows the number of IMSS formal workers (constant line). Additionally, the GDP in constant 2013 prices is depicted on the right axis

with a dotted line, indicating that its level in the fourth quarter of 2021 is equivalent to that of the first quarter of 2019. In terms of the ENOE, which includes both formal and informal workers, the inactivity rate (not the unemployment rate, which is frequently associated with formal jobs) is shown in module b. The underlying inactivity rate in the fourth quarter of 2021 was 3.7%, slightly higher than the 3.4% recorded in the first quarter of 2019

Figure 2: GDP at 2018 prices in trillion pesos, and millions of formal workers registered to IMSS (module a), and total labor force inactivity rate in % (module b)





Source: IMSS (2025) and INEGI (2025a)

As will be seen later, the signs already shown were not enough to provide a clear picture in 2022 of the recovery of both GDP per capita and the quantity of employment demanded by the economy, at least at the pre-crisis level. Furthermore, due to different reasons, the quality became rather elusive.

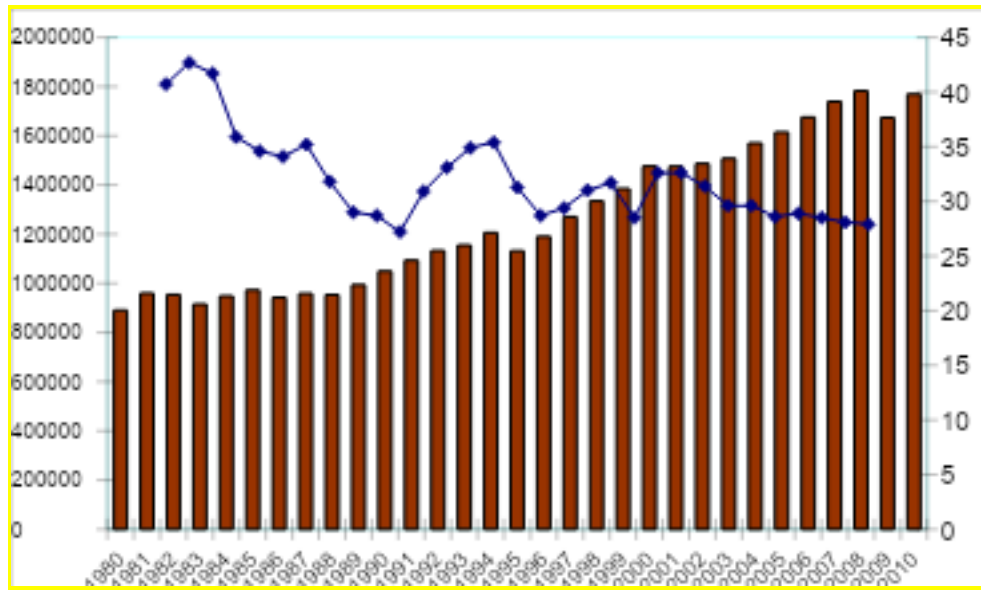
III. THE UPWARD IMPULSE TO THE MINIMUM WAGE

In 2012, the public administration headed by Felipe Calderón (2007–2012) came under strong pressure from society and consequently granted some adjustments in favor of the recovery of the minimum wage, which consisted of a reclassification of three geographic areas in 2012 and 2015 to unify them into one, and there was an extraordinary increase in the salary in 2016 and 2019. The social pressures, initiated at the end of President Calderón's administration and intensified under President Peña Nieto (2013–2018), led to a national debate regarding the need to increase the minimum wage to approach the constitutional maximum of providing material, social, and cultural support for workers and their families, and promoting compulsory education for children.

Under pressure, in December 2015, the Council of Representatives of the National Minimum Wage Commission (CONASAMI), composed of representatives of workers, employers, and the government, agreed to subtly restore workers' purchasing power in line with the following year's inflation expectations. On December 20, 2015, it announced a 4.2% increase in the minimum wage that would take effect during 2016, setting it at 73.04 pesos per day (p/d) nationwide, arguing that inflation in 2015 would close at just over 2%. Furthermore, the promotion of a higher minimum wage should be accompanied by sustained economic growth, controlled inflation, and high labor productivity. Additionally, it argued that between November 2012 and October 2015, geographic areas C and B, which had the lowest wage levels, had been eliminated, thus unifying the country into a single area. However, it was not mentioned that between 1976 and 2014, the minimum wage had lost 74% of its purchasing power, nor was there any mention of its poor international standing, as shown in Figure 3. As it seems evident, while the GDP, recorded on the vertical axis and expressed in the bars, grew uninterruptedly between 1980 and 2010, with brief declines during the recession years (1983, 1986,

1995, 2009), the wages/GDP ratio had the opposite effect, falling from 43% in 1981 to 28% in 2010 (right axis, solid line)

Figure 3: Absolute GNP (bars, left axis, 1993 pesos) and remuneration/GNP proportion (line, right axis, %)

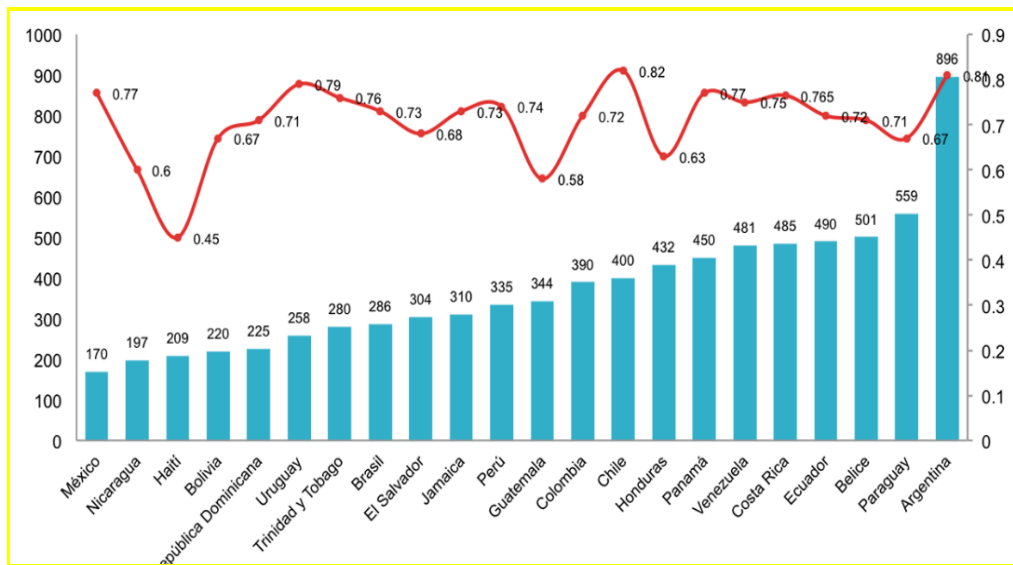


Source: Based on INEGI (2025a)

Regarding Latin America, despite Mexico being the country with the highest level of industrialization in the region, the second largest economy after Brazil, and one of those with the

highest level of human development (behind only Chile, Argentina, and Uruguay), its monthly minimum wage was the lowest in the region in 2013, as confirmed in Figure 3

Figure 3: Monthly minimum wage in purchasing power parity dollars (bars, left axis) and human development index (line right axis) in Latin America and the Caribbean



Source: UIA-P (2014) and UNDP (2014).

On August 5 and 6, 2014, the International Forum on Minimum Wages, Employment, Inequality, and Economic Growth was held in a large and fully occupied auditorium in Mexico City. The prominent organizers were the Economic Commission for Latin America and the Caribbean (ECLAC), the Faculty of Economics of the Autonomous National University of Mexico (UNAM), and the Mexico City government. The essence of the organizers' proposal is reflected in Figure 4, which shows that to achieve the

minimum food and non-food well-being for an individual (not even for a family, as established by Article 123 of the Constitution), a 24.19% increase in the minimum wage was required in 2015 in the then geographic area A (today there is a single minimum wage level for the entire country), which is indicated on the right axis. The absolute values of the minimum wage and well-being are indicated on the left axis

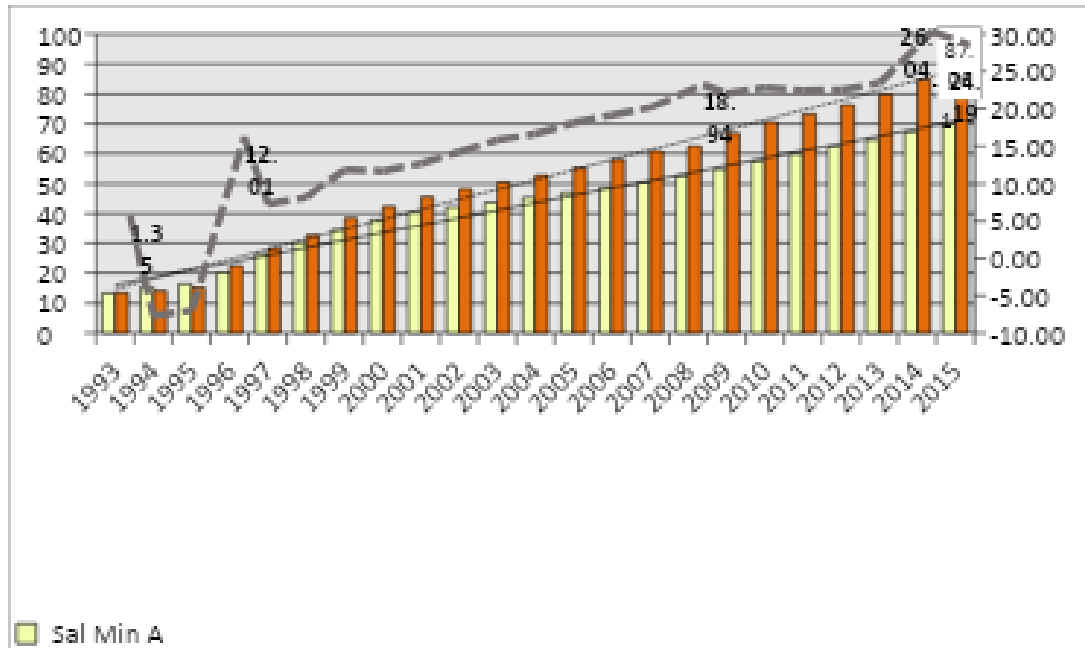


Figure 4: Minimum wage paid in geographical area A vs. the threshold urban well-being income, both in daily pesos (bars, left axis) and the amount of wages required to cover the needs of the threshold urban well-being (dotted line).

Source: Based on CONEVAL (2022) and CONASAMI (2025)

During the International Forum various national and international analysts and researchers, as well as the City of Mexico government officials, highlighted the exceptional problems that the minimum wage had at that moment, listing them as follows:

- It did not comply with Section VI of Article 123 of the Constitution, as it did not serve to "satisfy the normal needs of a head of household, in the material, social, and cultural spheres, and to provide for the compulsory education of children".
- It falls substantially below the minimum wages for food and non-food welfare.
- It was not set based on the absolute or relative productivity of the worker, but rather

served as a mechanism to control inflation.

- It was the lowest of all Latin American countries, even though Mexico was the second-largest economy in the region.
- It was not being used as an instrument to reduce inequality, boost the domestic market, and stimulate productivity, and
- It was erroneously linked as a unit of account to various payment obligations (GCDMX, 2014).

Given this, both during the seminar and afterwards, federal government officials, employer leaders, worker representatives before tripartite bodies, and the Governor of Bank of Mexico (BANXICO) expressed their rejection of a salary

increase higher than the historical level for 2015 and increases higher than inflation in subsequent years, given their effects on price formation, competitiveness, and macroeconomic equilibrium, in addition to the risk of the issue becoming politicized. As a corollary, they established in the final section of a tripartite document promoted by the Secretariat of Labor and Social Prevision (STPS): "We commit our efforts and responsible participation so that, through Social Dialogue, the changes we are implementing in Mexico translate into greater competitiveness, generate sustained economic growth, and materialize into tangible benefits for all Mexicans (STPS, 2014).

On November 25, 2014, the Mexico City Legislative Assembly approved the ruling creating the Mexico City Unit of Account, which took effect on January 1, 2015. It was set at \$69.91 pesos per day (p/d). Days later, on December 5, 2014, the Head of Government appeared before the CONASAMI Council of Representatives to present his proposal for leveling the minimum wage, arguing the need to increase it to \$82.86 p/d as of January 1, 2015, and then increase it to \$171.31 p/d between that year and 2018, in line with doubling the CONEVAL welfare line (assuming families with two members). Subsequently, it was proposed to formalize the employment of 18,353 women and 15,016 men who worked for Mexico City's government. Likewise, the Mexico City Legislative Assembly should approve the concept of a responsible wage provider. This implied that the Mexico City government would only contract services from companies that paid their workers at least the minimum wage of \$82.86.

The representatives of the productive sectors, convened by the STPS, agreed to discuss the minimum wage, within the legal framework; but they declined to "increase it by decree," and conditioned the increase on the evolution of productivity. They also stated that wages in general would rise thanks to the structural reforms. Additionally, they ruled that minimum wages are solely the responsibility of the federal government. Current legal provisions establish, as specified, that the body empowered to review and set the minimum wage is the CONASAMI Council of Representatives, which is composed of 11 labor representatives, 11 employer representatives, and one government representative, who is the president of the Commission (STPS, 2014).

On August 28, 2014, the National Conference of Labor Secretaries, belonging to the National Conference of Governors, declared itself in favor of finding responsible mechanisms that would contribute to improving the income of all Mexicans and combating informality, recalling that in March 2014, a proposal was presented to the Executive Branch to disassociate the minimum wage as a unit of account in more than 871 articles of 149 federal laws. This would facilitate the recovery of their purchasing power. They stated that the Sectoral Labor Program, published on December 13, 2013, incorporated strategies and lines of action to improve workers' income, including promoting the recovery of wage purchasing power linked to increased productivity, advancing the recovery of the minimum wage's purchasing power, establishing a single general minimum wage in the country, and decoupling the minimum wage from legislation (CONAST, 2014).

On October 3, 2014, the Official Gazette of the Federation published the Resolution of the Honorable Council of Representatives of the National Minimum Wage Commission, creating the Advisory Commission for the Gradual and Sustained Recovery of General and Professional Minimum Wages. The Advisory Commission urged the completion of the work promoted by the Council of Representatives in December 2011 to conduct studies on the feasibility of decoupling the minimum wage from various legal provisions as a unit of account, base, or reference measure. It also recalled the need for local, state, and municipal legislation to decouple the minimum wage from these provisions to avoid unintended effects (DOF, 2014).

Furthermore, the Advisory Commission should promote the preparation of studies analyzing the impact of potential increases in the minimum wage on inflation, employment, productivity, wage dispersion, poverty, and business sustainability, among other variables. In this regard, it should consider the prevalence of the informal sector in the country's economy, the size of the establishments where these workers work, and their job qualifications. Likewise, the budget essential for meeting the needs of families where a salaried worker receives a minimum wage should be measured, in terms of material, social, and cultural needs, as well as those related to children's education; and the living and working conditions of salaried workers receiving a minimum wage should be studied (DOF, 2014).

Furthermore, the Commission would carry out the following actions: analyze the feasibility of establishing a single general minimum wage throughout Mexico and define the strategy and timeline for its implementation; determine the strategy to dissipate the effect of the increase in minimum wage as a benchmark in collective bargaining agreements, in order to use it as an independent policy instrument for the benefit of workers who receive it; and review and define, where appropriate, the criteria for increasing professional minimum wages when general minimum wages are revised or set (DOF, 2014). The Commission's work was supposed to be completed within a maximum of six months from its establishment, which took place on October 24, 2014. However, the Advisory Group was established two months later, which constituted an initial delay in progress.

For its part, the National Action Party (PAN) proposed submitting the following question to a referendum: "Do you agree that the Federal Labor Law should establish that CONASAMI should set a new minimum wage that covers all the needs of a family to guarantee at least the welfare threshold determined by CONEVAL?" The reporting Justice at the Supreme Court of Justice of the Nation, José Ramón Cossío, rephrased the question, for the sake of clarity and simplicity, as follows: "Do you agree that a new minimum wage should be established, sufficient for a family to acquire the goods and services required to cover its food and non-food needs?"

Given this situation, Minister Olga Sánchez Cordero stated that: As the question is posed, the intention is for CONASAMI to necessarily adopt the so-called "welfare line" factor, determined by CONEVAL. Therefore, we are faced with a popular consultation that seeks to have legislative effects, and not the establishment by the competent authorities of a new minimum wage. For her part, Minister Margarita Luna Ramos argued: "...There is a contradiction between the provisions of Article 123, because even though it is being determined that the minimum wage will be established by CONASAMI, the truth is that the second paragraph of Article 123 is practically being replaced, for the reasons given by CONEVAL and the parameters established for its determination. The referendum cannot establish situations or parameters that contradict what is already established by the Constitution and, in any case, the only way to reform the Constitution is through Congress."

For his part, in the spot prior to President Peña Nieto's Third State of the Nation address on December 10, 2015, the Executive branch explained the reasons for slow economic growth, which he claimed were corruption, inequality, and the complicated international economic situation. Contradictorily, the Ministry of the Interior did not mention the minimum wage as an indispensable mechanism for correcting inequality, and the familiar strategy of combating poverty through Prospera and the National Crusade Against Hunger continued. Nor was there any mention of the problem of the San Quintín day laborers in the municipality of Ensenada, Baja California. At the time, they were requesting a daily minimum wage of 200 pesos, a negotiation involving the Ministry of the Interior and the STPS.

On December 5, 2014, the Chamber of Deputies received the presidential proposal to separate the minimum wage from fines and administrative sanctions and to create the Updated Unit of Measure (UMA), which will be equivalent to the current general minimum wage for geographic area A, or whatever replaced it at the time the law came into effect. The INEGI was empowered to establish the value of this unit, applying a procedure based on the National Consumer Price Index (INPC). A period of one year, starting from the date the reform came into effect, was granted for the competent federal, Mexico City, state, and municipal authorities to make the appropriate adjustments to the laws and regulations under their jurisdiction. In October 2015, the standardization of Geographic Areas A and B was completed, with a cumulative increase of 5.5% for Area B and none for Area A.

On December 26, 2015, Congress approved the proposal to separate the Minimum Wage from other legal and administrative regulations and determined that an analysis would be conducted during its 2016 regular session to achieve a living wage in Mexico. To this end, the Finance, Labor, Competitiveness, and Social Security Committees would coordinate and identify initiatives presented on the topic. With the creation of the Technical Council responsible for regulating and directing the pre-reporting phase of initiatives related to the minimum wage, the guiding principles of a national discussion platform would be defined to generate a broad, inclusive, and informed debate. This body would be composed of the chairs of these committees and a representative from the Senate and the Ministries of Finance, Labor, and Economy.

Likewise, IMSS, the Institute of Social Security and Services for State Workers (ISSSTE), CONASAMI, and CONEVAL. Also, present were the Center for Public Finance Studies of the Chamber of Deputies, the OECD, the Legal Research Institute of UNAM, the Center for Economic Research and Teaching, the Employers' Confederation of the Mexican Republic, the Business Coordinating Council, and the Confederation of Industrial Chambers, as well as unions and five academics of national prestige.

On January 27, 2016, the reform to Articles 26 and 41 of the Constitution regarding the de-indexing of the minimum wage was consolidated. Its most relevant elements are:

i. The minimum wage may not be used as an index, unit, base, measure, or reference for purposes unrelated to its nature.

ii. All references to the minimum wage as a unit of account, index, base, measure, or reference to determine the number of obligations and assumptions provided for in federal, state, and Federal District/City of Mexico laws, as well as in any legal provision emanating from all the above, shall be understood to refer to the UMA.

iii. INEGI shall calculate, in the terms established by law, the value of the UMA, which will be used as a unit of account, index, base, measure, or reference to determine the amount of payment for obligations and assumptions provided for in federal, state, and Federal District/City of Mexico laws, as well as in legal provisions emanating from all of the above (DOF, 2016).

The Congress of the Union should issue the regulatory legislation to determine the value of the UMA, within a period not exceeding 120 calendar days following the publication of the reform, and the Congress of the Union, the State Legislatures, the Legislative Assembly of the Federal District/CDMX, as well as the Federal, State, Federal District/CDMX and Municipal Public Administrations should make the corresponding adjustments to the laws and regulations under their jurisdiction, as appropriate, within a maximum period of one year from the entry into force of the Decree, in order to eliminate references to the Minimum wage as a unit of account, index, base, measure or reference and replace them with those relating to the UMA. Regarding the determination of the UMA value, information should be provided on the promulgation of the Decree that defined the methodology for its calculation and, briefly, on the

work of the Technical Council responsible for regulating and directing the pre-determination phase of the initiative related to the minimum wage, created by the Political Coordination Board of the Chamber of Deputies. Furthermore, the importance of the National Commission for the Gradual and Sustained Recovery of General and Professional Minimum Wages disclosing the results of the studies it began in 2014 was recalled, specifically: Minimum wage and employment; Minimum wage and productivity; Minimum wage and inflation; Minimum wage and poverty level; Beacon effect of the minimum wage; Formality/informality; Minimum wage and business competitiveness, and Living conditions of families dependent on a minimum wage.

It is evident that the list did not consider, despite being very important, a calculation of the equilibrium wage, since for many years there had been a presumption that the minimum wage did not even reach the level at which the labor supply and demand curves intersect, and another on minimum wage and globalization, since Mexico's strategy for inserting itself into international trade since the 1980s had been through very low wage levels.

In the days leading up to the 1st May Day celebrations in 2016, the Secretary of the STPS stated that there would be no spectacular announcements by the President at the official ceremony since, in the almost three years of his six-year term, 1.8 million jobs had been created, productivity had increased, real wages had risen, and the unemployment rate was very low. At the official celebration, representatives of employers and workers joined in, and the President of the Republic delivered a laudatory speech to them, but without any commitment on wages.

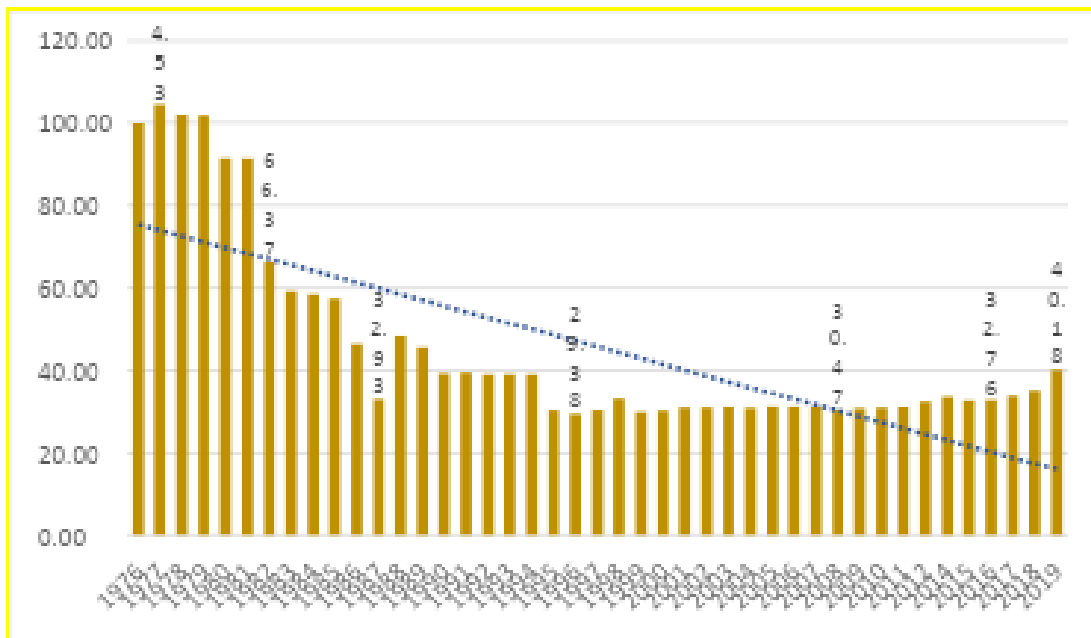
To everyone's surprise, in December 2016, the CONASAMI Council of Representatives approved a 9.5% increase in the minimum wage for 2017, of which 4% was conventional, in line with the inflation expected by the SHCP for the following year, and the remainder was granted as a one-time compensation of \$4.00. This would bring the minimum wage in effect in 2017 to MP \$80.04. The increase was approximately 13% short of meeting the minimum food and non-food welfare requirements established by CONEVAL for people living in urban areas. Surprisingly, the increase proposal was made by the Employers' Confederation of the Mexican Republic (CTRM), and the Council of Representatives accepted it without

waiting for any opinions from the group of experts created in Congress to analyze the minimum wage. It also ignored the studies conducted by CONASAMI itself, several of which opposed increasing the minimum wage due to alleged adverse effects on inflation, employment, productivity, informality, and other variables. So, in practice, both bodies were overwhelmed by social pressure. This was a lesson for future salary determinations, for the operational mechanics of CONASAMI, and for any possible involvement by the Legislative Branch.

The next significant adjustment to the minimum wage occurred in December 2018, once the new six-year administration took office and the

presidency of CONASAMI changed, after having been presided over for more than 25 years by the same person, a staunch defender of institutionality. The adjustment, once again proposed by employers and supported by workers, was 16.2% nationwide and covered one person's food and non-food needs at that time, according to CONEVAL (102.68 p/d), and doubled in the northern border area (municipalities located up to 25 kilometers from the US border). This consolidated the trend toward the recovery of this constitutional provision, as shown in Figure 5: between 2008, the year of the lowest level in the last 10 years, and 2019, the year with the highest increase, there was a difference of 32%.

Figure 5: Real value of the general minimum wage in 1976. Constant pesos



Source: CONASAMI (2025)

The increase in the minimum wage between 2012 and 2018 relieved enormous social pressure and opened the possibility that in the future, workers' purchasing power would not only be restored, as established by law since the 1987 Economic Solidarity Pact, through official calculations of expected inflation for the following year, but also based on the cost of the food and non-food basket determined by CONEVAL or an alternative institution with sufficient credibility. This is constitutionally correct and sends a signal that the tripartite system should not fall into complacency or the pursuit of international competitiveness for the Mexican economy through

low wages. From then on the key task has been to adhere again to the constitutional maxim that "general minimum wages must be sufficient to satisfy the normal material, social, and cultural needs of a head of household, and to promote the compulsory education of children."

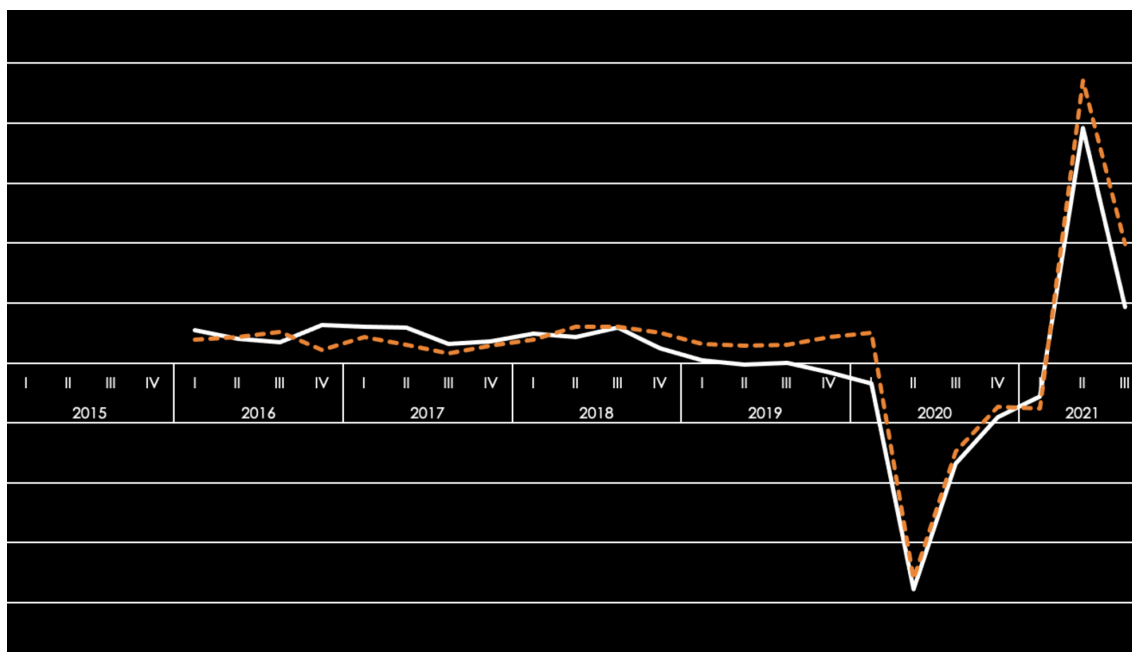
IV. HOW EFFECTIVELY SIGNS DOES THE LABOR MARKET SEND?

Given the fact that 6 out of every 10 jobs created in Mexico are informal, it is tempting to believe that the labor market does operate too far from the way it does in developed economies, and

even that wages are decided arbitrarily. There are plenty of ways to prove the contrary. To begin with, as established by the logic of economics and confirmed by Figure 6, there is a positive

relationship between the evolution of the product and the creation of jobs of all kind at the national level between 2015 and 2021.

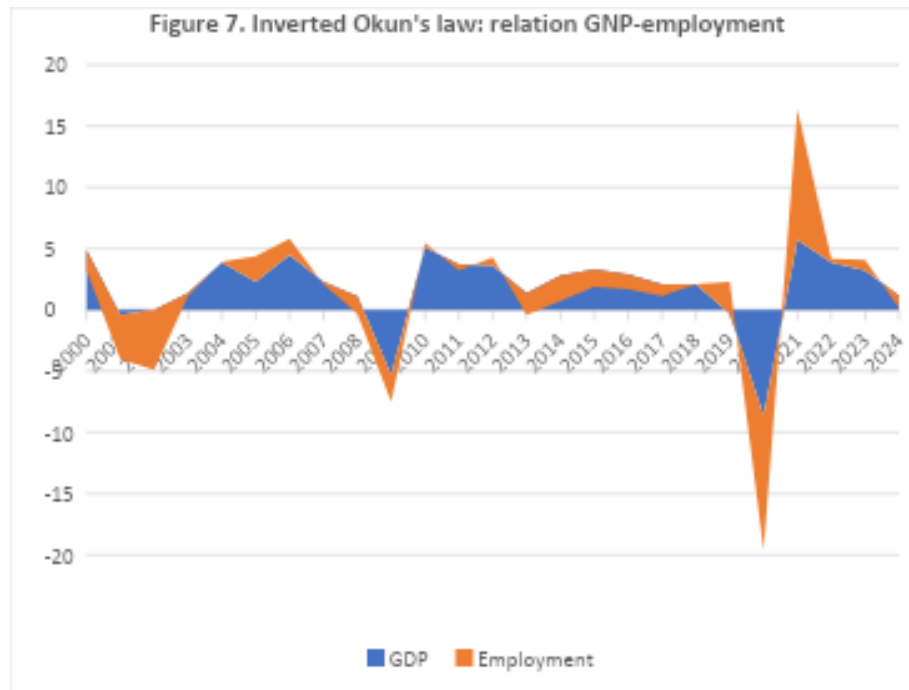
Figure 6: Relation between the GNP (constant line) and the job creation variations Annual changes (%)



Sources: INEGI (2025a) and STPS (2025)

The positive relationship between economic growth and employment led economist Arthur M. Okun (1962) to observe that there is an inverse relationship between economic growth and unemployment. He suggested that for the unemployment rate of the US to be reduced in a non-full employment situation during the post-war years, a constant rate of growth of GNP was required at 3% to reduce unemployment by 1%. If Mexico's expected positive relationship between

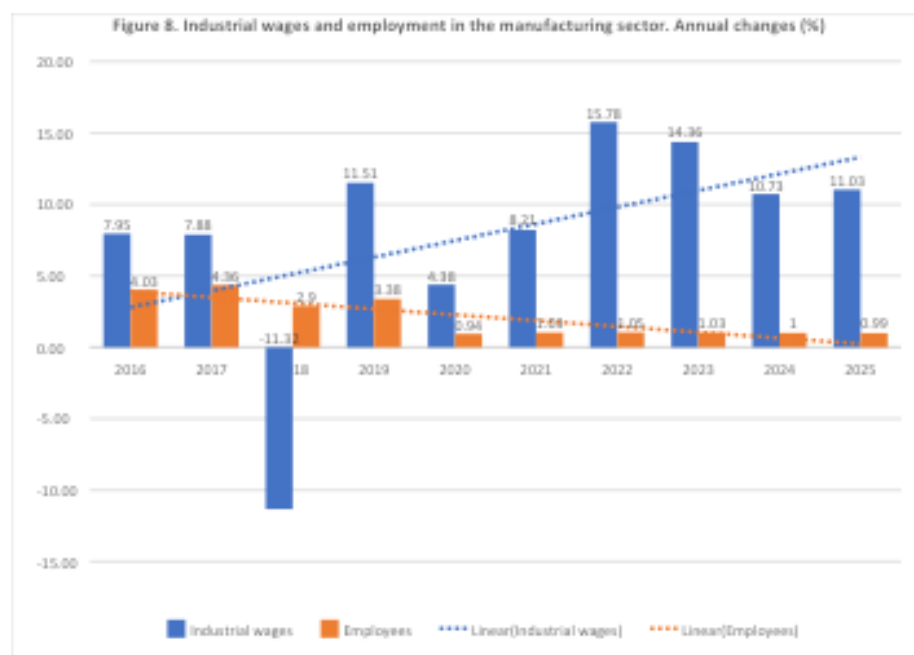
employment and economic growth is analyzed from 2000 to 2025, we arrive at the relation shown in Figure 7. As deduced from it, each percentage point increase of GDP promotes an increase of 1.37 in labor force participation (a more accurate measure of employment in Mexico than the rate of employment, as it reflects the willingness of people to enter and exit the labor market), with a Pearson correlation coefficient equal to 0.686020



Source: INEGI (2025a) and STPS (2025)

In the same way, when labor unions in the manufacturing sector, which is one of the most unionized in Mexico, negotiate excessively high wage increases, the employment of new workers tends to increase at a slower rate. This is a medium-term trend that may not be as

pronounced in the short run, and confirms that, as expected in competitive markets, demand has a negative relationship with price. Figure 8 corroborates this with the slopes of both variables and the Pearson correlation coefficient value of -0.29522 .



Source: STPS (2025)

When economic growth becomes high and exerts pressure on prices (particularly if the economy is approaching full employment), central banks cool it by increasing the most important instrument they have at their disposal: the interest rate. This, in turn, reduces the demand for labor, as observed by A. W. Phillips (1958), using the unemployment rate as a proxy variable; thus, a

negative relationship is established between both variables. The same is true for Mexico if we consider the period 2000–2024, with the unemployment rate on the horizontal axis and the interest rate on the vertical axis, as shown in Figure 9. In this long-term perspective, the Pearson correlation coefficient has a value of -0.424591 .



Sources: INEGI (2024a) and STPS (2025)

V. DID THE MINIMUM WAGE INCREASES AVOID THE LABOR MARKET DISTORTIONS?

The fourfold increase in the minimum wage from 2015 to 2025 did not effectively resolve the deficiencies in other labor market factors; instead, it somewhat worsened them. This issue will be discussed in the following pages.

4.1 Reconfiguration of the labor market structure

To analyze the evolution of labor statistics in Mexico from the end of 2018 to the end of 2024, considering it as a dynamic market for all age groups, one can examine the accumulated differences. These differences reveal that the total population increased by 6.32 million (Table 1, row 1). Additionally, over 9 million individuals turned 15 years old and became eligible to join the labor force (row 2). Since the number of upper secondary and higher education students remained at 9.2 million in

2024, the same figure registered in 2018, as reported by the Secretariat of Education (SEP), all 9 million individuals who turned 15 years old during the period should be expected to join the labor market either as formal or informal workers. However, during surveys conducted by ENOE personnel, only 5.5 million of new-entrants to the labor market identified themselves as part of the Active Labor Force Population (row 3), while the remaining 3.5 million were classified as Non-Active Labor Force Population (row 5). This latter group's size is concerning, indicating that there was insufficient space in the market both formal and informal for them. Rather than being unemployed, they reported that they were not actively seeking employment, despite their need for a job.

On the other hand, the system reported the creation of 5.8 million new jobs during the six-year term (row 7). However, it is unclear how these jobs were absorbed into the labor market. When broken

down into IMSS formal workers (row 11), Other formally registered workers (mainly government positions, row 12), and Informal workers, or occupations (row 13), there are discrepancies in the figures. The number of Other formally registered workers increased by 1.8 million during the period, with an annual growth rate of 7.4%, the highest in the last column, except for Minimum wages (20.8%). However, as reported by the state social security system (ISSSTE), government workers, both federal and state, totaled 3.98 million in 2018 (690 thousand less than indicated in column 1, row 12) and rose to 4.03 million in 2024, one million less than the 5.07 million reported by the ENOE (column 2, row 12). Explaining the accommodation of between 1.04 and 1.73 million workers seems challenging. These movements largely account for why the labor force participation rate, which measures the relationship between individuals who declare themselves as part of the labor market, either employed or not, over those aged 15 and above, does not exceed 60% during the period (row

14), one of the lowest figures among the countries belonging to the Organization for Economic Cooperation and Development (OECD). Additionally, the informal labor rate remained between 54% and 57% during the period and continues to grow. The figures are quite concerning.

As measured in Mexico, the rate of unemployment is a low accurate measure of the pressures the labor market faces, as it masks many problems in the process of accommodation of active vs. non-active workers and formal vs. informal workers. To address this issue, Table 1 introduces an alternative measure called the Effective Labor Pressure Rate (row 19), which combines the Critical Occupations Conditions Rate with the Rate of Non-Active Available Labor Force (discouraged workers). This in relation to the Economically Active Population. As indicated in columns 2 and 3 of that row, the percentage increased from 25.51% at the end of 2028 to 40.04% at the end of 2024

Percentage increased from 25.51% at the end of 2028 to 40.04% at the end of 2024.Sources: STPS (2025) and INEGI (2025a)

Table 1: Labor force statistics 2018–2024. Absolute values and average changes

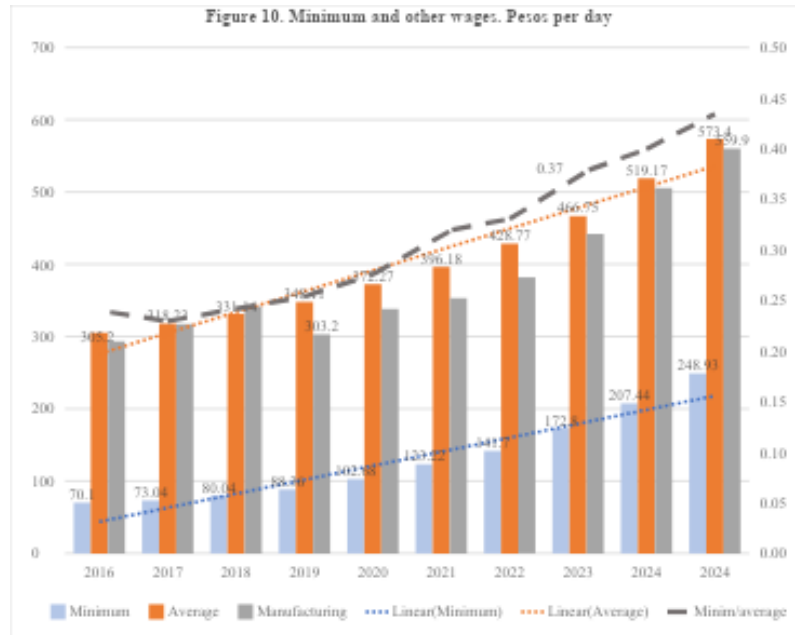
December 2018–December 2024

Indicator	2018	2024	Absolute change 2024–2018	Annual Average rate (%)
1.Total population	123,975,965	130,294,079	6,318,114	0.83
2. 15 years+ population	92,874,427	101,936,513	9,062,086	1.56
3.Active labor force	55,519,394	61,055,321	5,535,927	1.6
4.Unemployed people	1,813,522	1,567,775	–245,747	–2.4
5.No active labor force	37,355,033	40,881,192	3,526,159	1.52
6. No actives wishing to have a job	5,731,676	5,482,356	–249,320	0.74
7. Total occupation	53,705,872	59,487,546	5,781,674	1.72
8. Secondary sector occupation	13,812,920	14,666,862	853,942	1.01
9. Of which Manufacturing occupation	9,073,626	9,660,257	586,631	1.05
10. Tertiary sector occupation	32,901,106	38,151,939	5,250,833	2.5
11. IMSS registered workers (formal)	20,077,365	22,024,386	1,947,021	1.55
12. Other formally registered workers	3,292,091	5,072,156	1,780,065	7.4

13. Informal occupation	30,336,416	32,391,004	2,054,588	1.11
Wages				
14. Remunerated IMSS registered workers	4,463	7,438	2,976	8.9
15. General minimum wage (GMW)	80	249	169	20.8
Coefficients				
16. Labor force participation rate	59.8	59.9	0.1	0.03
17. Workers receiving from nothing to 1 GMW (% of labor force)	51.52	66.46	14.94	4.34
18. Unoccupation rate	3.27	2.57	0.7	-3.93
19. Partial occupation and unocupación rate (TOPD)	9.08	9.16	0.08	1.54
20. Critical occupation conditions rate (TCCO)	15.18	31.07	15.89	12.68
21. Effective labor pressure rate [(TCCO+PNEAD)/PEA]	25.51	40.04	14.53	7.8
22. Labor informality rate	56.49	54.45	-2.04	-0.60
23. GDP 2018 millon pesos	24,605,276	25,780,946	1,175,670	0.78
24. Per cápita GDP 2018 millon pesos	198,468.10	197,867.40	-600.7	-0.05

4.2 The influence of the minimum wages on other types of wages

The average wages in the private sector, which are based on a large, diversified and dynamic database of workers registered with IMSS, serve as a key indicator of formal worker remuneration in Mexico. These wages are determined through negotiations between employers and labor unions. From 2018 to 2024, the average private sector wages doubled in daily Mexican peso terms, while its component of manufacturing wages increased by 2.2 times, as illustrated in Figure 10. Furthermore, Table 1, rows 14 and 15, show that the minimum wage grew at an average annual rate of 20.8%, whereas wages of IMSS-registered workers increased by 8.9%. This data suggests that there was no "faro" effect, contrary to what has been suggested in various official and academic circles. It is also important to note that inflation rose significantly during this six-year period, with an average annual growth rate of 5.2%, higher than the 4.2% recorded from 2000 to 2018.

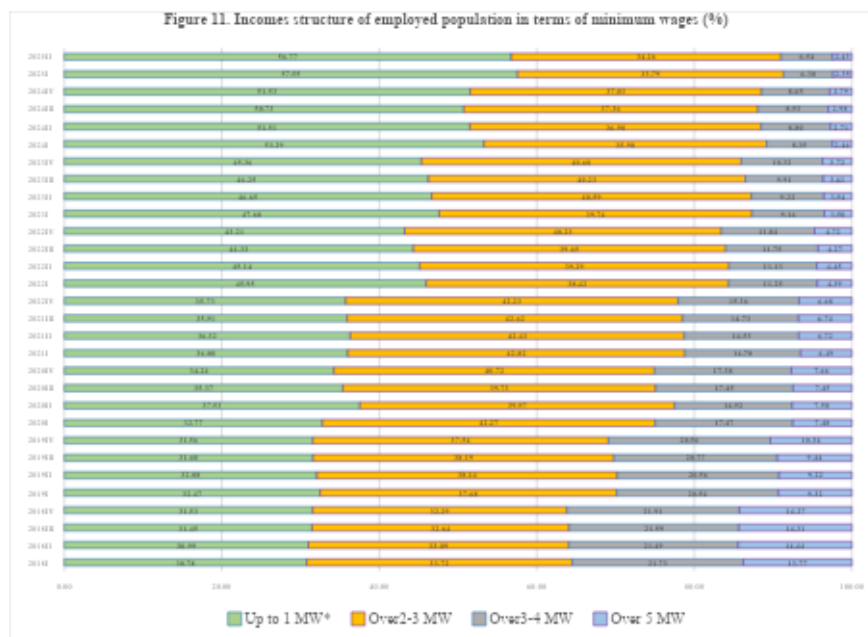


Sources: CONASAMI (2025) and STPS (2025)

4.3 Significant rise in the proportion of minimum wage workers compared to the overall workforce

In the first quarter of 2018, 30.78% of all employees were earning from zero (0) to 1 minimum wage, including some unspecified workers who are usually the lowest paid. By the second quarter of 2025, this percentage had risen to 56.77%, almost doubling. On the other hand, the percentage of employees earning 4 or more minimum wages

decreased from 35.5% to 8.97%, an impressive -75% in absolute terms. The last figure is not ideal for societal advancement, as people's aspiration should be to push the less paid to the top but not necessarily bring down those in better condition to lower levels. Meanwhile, the percentage of those earning between 2.01 and 3.00 minimum wages remained stable at around 34%, as shown in Figure 1

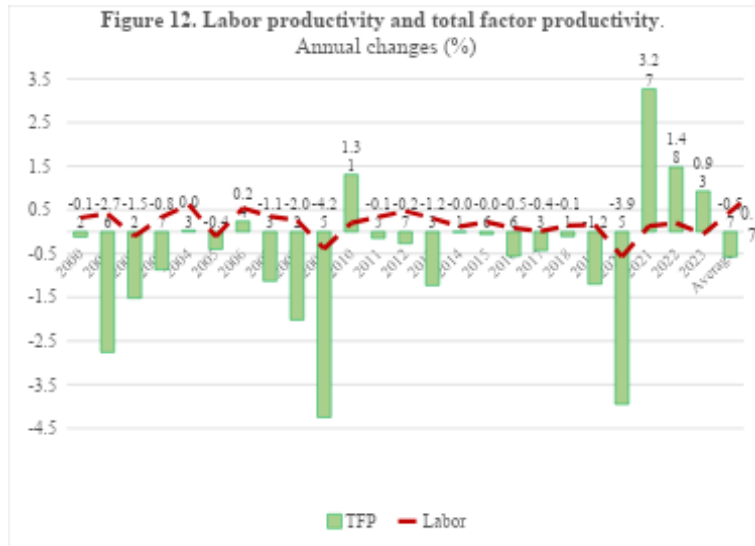


Source: STPS (2025)

4.4 Poor productivity performance

During the recession years after 2000, both labor productivity and Total Factor Productivity (TFP) faced significant challenges. However, TFP, which includes the productivity of capital, labor, energy, manufacturing, and services (KLEMS

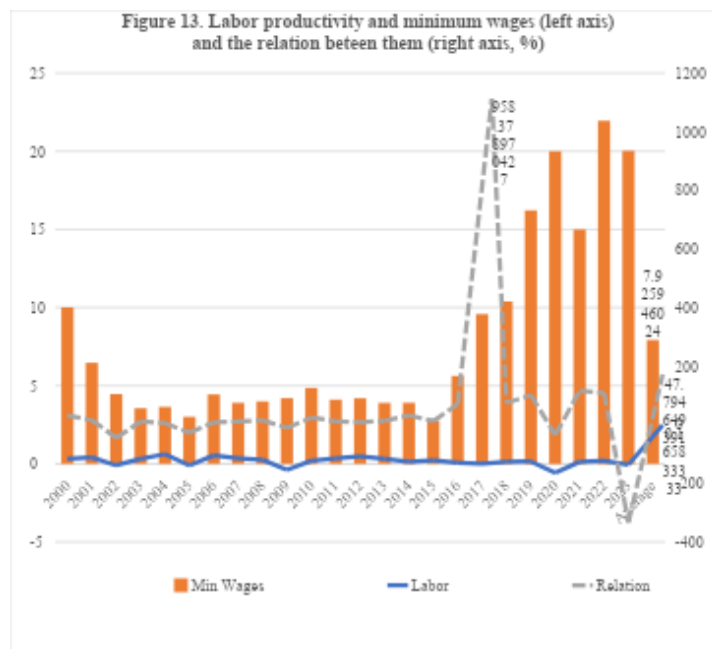
method), showed more variability, with values ranging from -4.25 in 2009 to 3.27 in 2021 and an average of -0.57 during 2000-2023. In contrast, labor productivity fluctuated from 0.62 in 2004 to -0.56 in 2020, with an average value of 0.17 over the 24-year period, as shown in Figure 12



Source: INEGI (2024b)

Between 2000 and 2023, the minimum wage increases exceeded labor productivity by an average of 47.8 times, as shown in Figure 13. Specifically, while the minimum wage rose by 7.93%, labor productivity only increased by 0.1659%. In 2000, the minimum wage was the lowest in

continental Latin America, but the adjustments between 2016-2025 allowed it to become one of the highest in Latin America without significantly impacting both inflation and the demand for labor. However, this may not be the case for the future

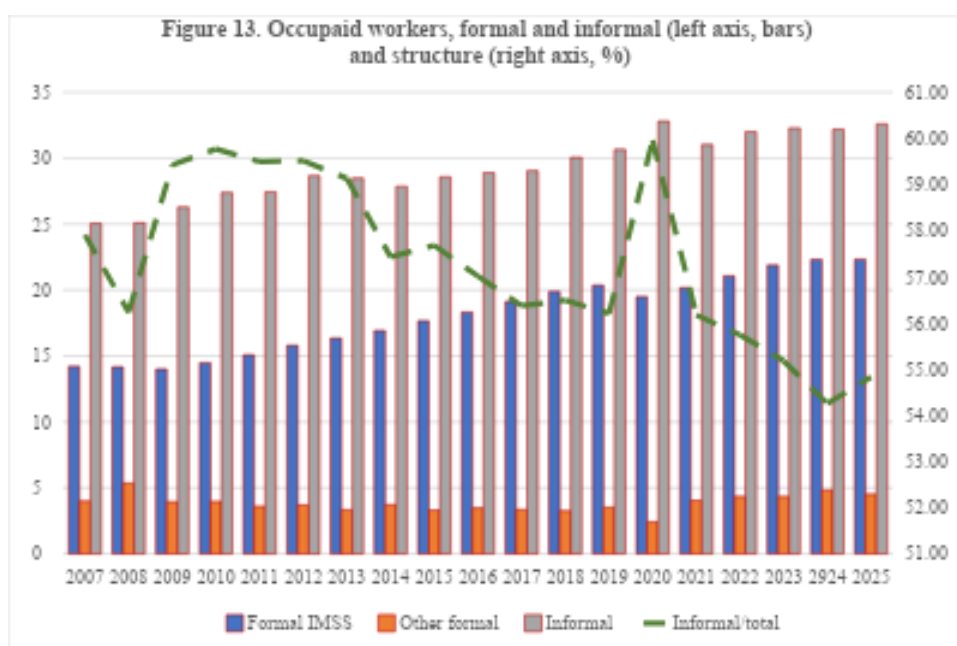


Sources: INEGI (2024b) and CONASAMI (2025)

The increase in the tertiary sector's share of total employment from 61.3% in 2018 to 64.1% in 2024, resulting in the creation of 5.8 million new jobs, indicates a trend in Mexico where lower-productivity jobs are growing at a faster rate than higher-productivity ones. (Most informal activities are linked to small commerce and services in Mexico). This growth is particularly evident in the Manufacturing industry, a part of the Secondary sector, which only added 586 thousand new jobs and saw its share decrease from 19.9% in 2018 to 16.3% in 2024 (Table 1, column one, row 9).

4.5 Slight reduction of informality

Many programs to reduce informality have been established by the federal government since the beginning of the 21st century. They have been based on tax exemptions, facilities to pay past taxes, facilities to pay workers' social security, and stimulus to integrate their pension funds. However, they have yielded slight results. As shown in Figure 13, except for 2020, the year with the highest impact of the COVID-19 pandemic on economic activity, the participation of informal workers in the total number of employed workers kept falling from a peak in 2010 of almost 60% to almost 54% at the end of 2024. The trend reversed to almost 55% by mid-2025, and it is expected to continue if the economy does not improve.



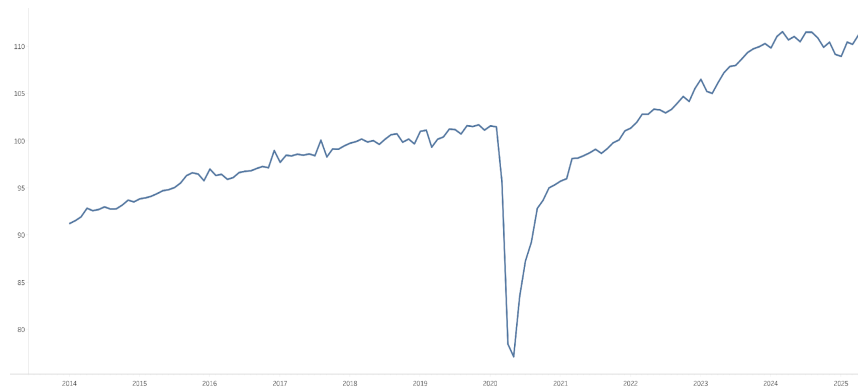
Sources: INEGI (2025a) and IMSS (2025)

4.6 Consumption push has not had a clear response

Since 2019, Mexican authorities have been stimulating the consumption of goods and services by the lowest deciles of income distribution through increases in the minimum wage, which have already been analyzed, and cash transfers in the form of social programs equivalent to 2% of 2025's GDP. This has led to a reallocation of resources to address short-term needs, but it has also reduced investment and the capacity of the economy to grow. In general, the government will allocate 10% of

the 2026 federal budget to social programs and 9% to investment (2.4% in relation to GDP, the lowest level in decades). Despite this push for private consumption, such a variable has not had a sufficient impact on aggregate demand: it decreased from 52.3% in the first quarter of 2024 to 49.3% in the same period in 2025. In this sense, the Prompt Index of Private Consumption, based on 2018=100, reached its highest level in March 2024 at 111.55 and fell to 110.06 in May 2025 (-1.3%), as shown in Figure 14.

Figure 14: Monthly Indicator of Private Consumption in the Domestic Market (MIPCDM)

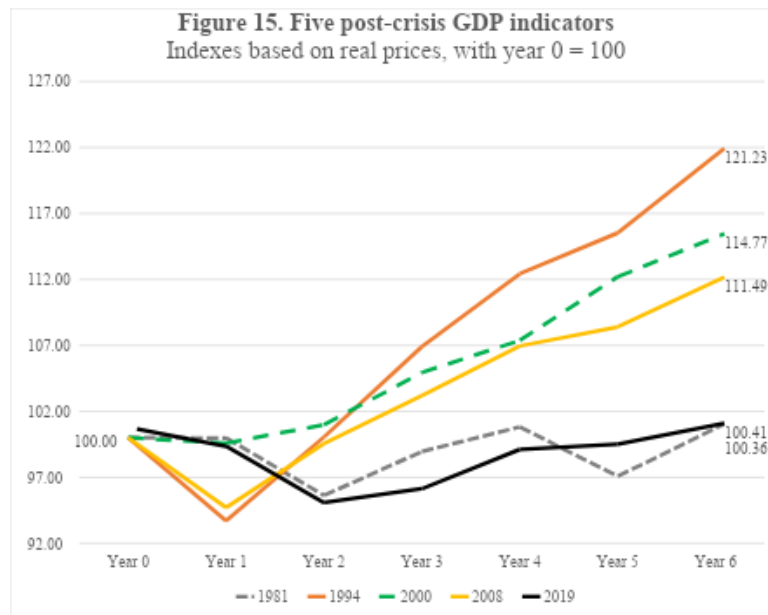


Source: INEGI (2025a)

VI. RESULTS AND DISCUSSION

Despite the increase in minimum wages since 2016, many positive outcomes in the labor market have yet to be seen. When analyzing the economy, including the labor market, from a medium-term perspective, the supposed positive results observed by authorities and some academics at the end of 2021 and the beginning of 2022 appear to be overly optimistic. The recovery of the GDP after the COVID-19 economic crisis took a longer time compared to previous crises. Figure 15 shows

that the worst ones in terms of the time needed for the economy to recover to pre-crisis levels were those of 1982 and 2020, taking six years. In contrast, the recovery in other crises (1995, 2001, and 2008) occurred within a year, with the index reaching between 111.49 (a 1.9% average annual rate of growth) for the 2008 crisis and 121.23 (a 3.5% average annual rate of growth) for the 1995 crisis in a period of six years. However, in the 1982 and 2020 crises, the indexes just went over the value of 100 after six years (a 0.8% average annual rate of growth).



Sources: Based on INEGI (2025a)

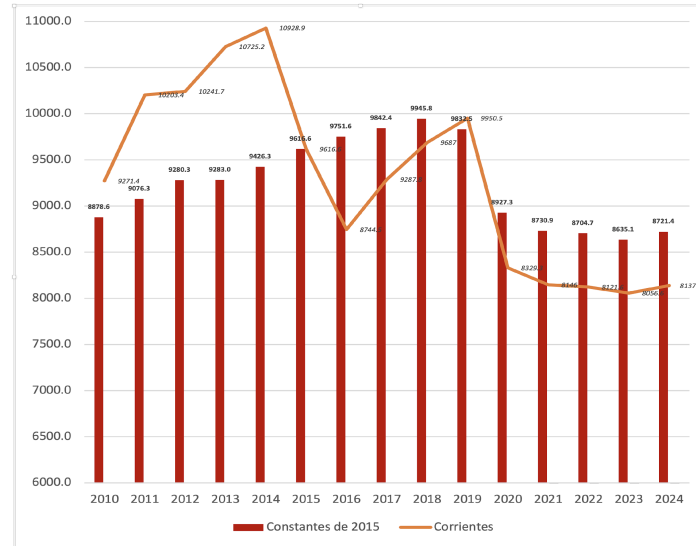
If we consider the per capita GDP in addition to the GDP, it is evident that at market prices, it began to decline in 2015 (line, Figure 16) and at

constant prices decreased consistently from 2018 to 2024 (bars, Figure 16). Throughout this period, the GDP experienced a weak annual average growth

of 0.78%, which was lower than the growth rate of the total population (0.83%), resulting in a decrease

of -0.05% in per capita GDP. Consequently, in terms of production the population became poorer.

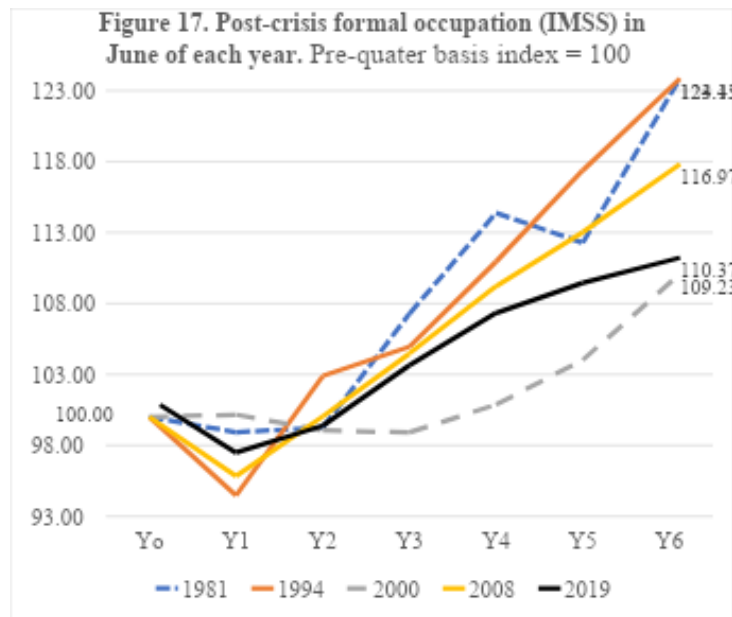
Figure 16: GDP at market and constant 2015 prices 2010–2024, Thousand million pesos



Source: INEGI (2025a)

The performance of both GDP and per capita GDP affected the hiring of the formal labor force in the quarter following all crises, except for the 2001 one, which was weaker and slower in terms of formal jobs recovery, as shown in Figure 17. Excluding it, the medium-term recovery from all

crises has been slower in the 2020 one: after six years, the formal labor index grew by 10.37%, with an annual average of 1.7%. For comparison, during the 1994 crisis, the accumulated growth of hiring was 24.45% and the annual growth reached 4.07%



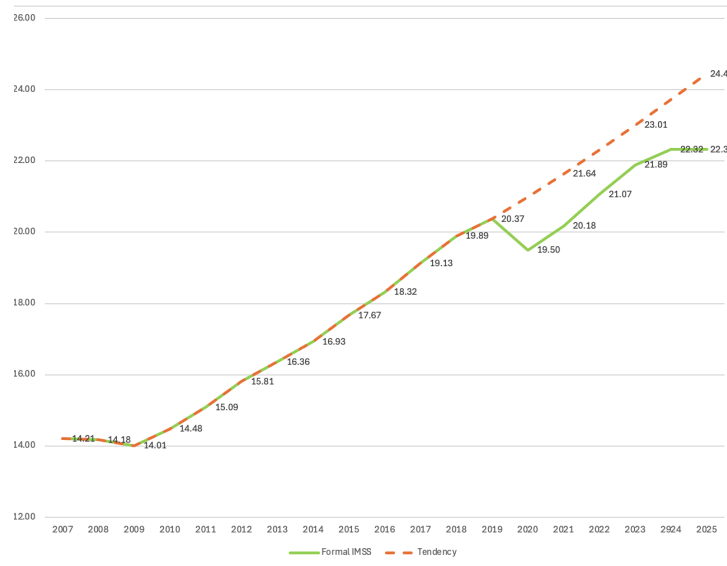
Source: IMSS (2025)

If the trend of formal job creation associated with IMSS during the pre-crisis period from 2009 to

2019 is projected to 2024, there is a difference of 2 million jobs by the year 2024 (Figure 18). This

indicates a decline in the economy's ability to generate such jobs. As a result, the informal economy had to absorb a larger number of workers

over a six-year period, and labor productivity advanced at one of the slowest rates since that metric was established.

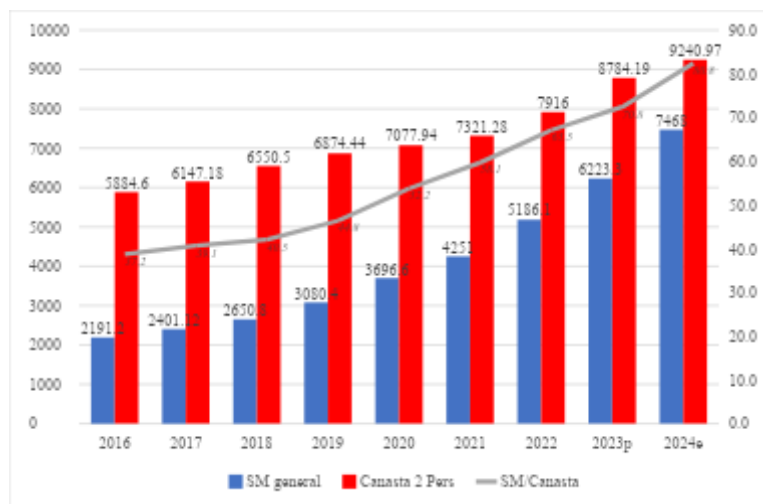


Source: IMSS (2025)

The six-year effort was not sufficient to achieve the goal set by the federal government in December 2018. The goal was for each family, headed by an average of two people, to be able to purchase two welfare baskets with the amount of one minimum wage. These baskets consist of food and non-food goods and services, based on

minimum requirements per person and their prices calculated by CONEVAL (2023). As shown in Figure 19, the minimum wage (SM) in 2018 could only afford 40.5% of these baskets, but by the end of 2024, it reached 80.8% of them. This resulted in a 19% shortfall compared to the goal set in 2018.

Figure 19: The General minimum wage as compared with the food and non-food basket cost per month for two persons in current pesos, and the relation between them (right axis)



Sources: based on figures from CONASAMI (2025) and CONEVAL (2023)

VII. CONCLUSIONS

As indicated by the analysis, Mexico's per capita GDP and most labor market indicators have not fully recovered to pre-pandemic levels; in fact, some have worsened. The government has implemented a variety of social programs aimed at increasing basic incomes, including raising the minimum wage which pay the employers by a year average of 20.8% during 2019–2024. Additionally, social programs, equivalent to cash transfer, now account for 10% of the federal budget and 2% of GDP, and keep growing. However, this comes at the expense of capital investment and human capital development, particularly in areas such as education, training, health, capacity building, and science and technology. These changes are occurring at a time when the external conditions of the Mexican economy have been significantly altered due to changes in the US trade policy. The imposition of tariffs on Mexico's exports to the US, which receives 85% of total exports, not only impacts the external engine of the economy, but also leads to a decline in consumption and investment, as well as a decrease in new foreign investment.

How do cash transfers and the increase in the minimum wage hide the weaknesses of the labor market? Many people who receive transfers have stopped actively looking for work and are considered discouraged workers. This means that they may re-enter the workforce if they were paid the minimum wage or if other labor market conditions improved, potentially earning two incomes. However, their withdrawal from the labor market also lowers the overall labor force participation rate, especially among women, which is already one of the lowest in the OECD and Latin America.

There are 14 active social programs that collectively receive 987 trillion pesos in the 2026 federal budget, with 59% allocated to the Elderly People Program and 2.6% to the Youngsters Building the Future Program. The former provides support to women aged 60 and older and men aged 65 and older with 35% of a minimum wage and potentially benefits 13.5 million individuals. Although the stipend is low, it is expected to increase in the coming years. The latter targets individuals between 15 and 29 years old who may not pursue upper secondary and higher education levels, as evidenced by the 2018–2024 data showing a consistent 9.2 million individuals in this category.

This is even though over 9 million individuals turned 15 years old during that period, i.e., became part of the active labor force if not in high school, college, or university, or with a serious incapacity. The benefits of the program are equivalent to a minimum wage. Both programs exemplify how labor market dynamics can influence individuals to opt out of the workforce during their early or late productive years.

If 15-year-olds are not enrolled in high school, college, or university, do not have a disability or are not retired, they are likely part of the economically active population as either employed or unemployed individuals (only 2.6% of the active labor force fall into this category), or part of the non-economically active population due to market conditions. 61% of new labor market entrants between 2018–2024 fit this description. This aligns with the fact that, on average, 2 out of every 3 new jobs created in the economy are informal. Such a large informal population accounts for only 26% of GDP, and this results in an annual increase in average labor productivity at negligible levels.

Entrepreneurs argue that the most effective social program in Mexico should focus on promoting formal employment. They are increasingly recognizing the potential benefits of unemployment insurance over certain existing social programs, even though it would necessitate the allocation of private resources. Formal employment not only leads to higher productivity but also ensures mandatory social security, tax compliance, and quality assurance for goods and services. Therefore, the goal should be to have approximately one million new wage workers registered with IMSS each year, encompassing individuals transitioning from the informal sector, the unemployed, and those who have become discouraged, rather than the figure of 317 thousand per year observed from 2019–2024.

In addition, more attention should be paid to the manufacturing and other productive sectors, where productivity is higher. Specific education and training programs, as well as regional mobility of the labor force, the implementation of comprehensive formalization programs and a serious National Employment Service, should be put in place. Currently, the only program operating is the Simplified Tax Regime (RIF), which was part of the tax reform implemented in 2014, more than a decade ago. It aimed to exempt newly established enterprises from paying Income Tax (ISR) during the first two years of operation. However, there are

other expenditures that prevent entrepreneurs from formalizing their businesses, including health, accident, and life insurances, as well as housing and pension funds, which involve costs at least 27.5% over the nominal wage. These expenditures are administered by three tripartite institutions: IMSS, The Saving for Retirement System (SAR), and the National Workers' Housing Fund Institute (INFONAVIT).

Based on the results of ENIGH, which show that labor income accounts for two-thirds of the total income reported by families on average and was boosted during 2019–2024 thanks to the 20.8% yearly average increase in the minimum wage, authorities argue that this policy is solely responsible for the reduction of poverty in that period. However, considering the results and the fact that Mexico's minimum wage is now positioned as one of the top five in Latin America, it is expected that its average annual growth will decrease to 10% in 2025–2030. This figure is derived from the official goal of ensuring that an average family of 3.4 members can afford to purchase 2.5 social basic needs baskets (both food and non-food goods and services) with one minimum wage. In real terms, this implies a total increase of 39%, which translates to a 5.64% average annual growth rate in 2025–2030.

Following labor income, according to ENIGH 2024 transfers contributed on average 17% to family income, going up to 36% for families in the first income decile. Social programs, government benefits, and scholarships make up most transfers, representing 86% of them.

The data shows a more equitable income distribution in 2024 compared to 2018, but it also highlights a concerning trend of increasing wage concentration at the lowest level. The proportion of people earning between zero and one minimum wage has risen from 30.8% in 2018 to 57.6% in 2024. Conversely, the percentage of individuals earning four or more minimum wages has declined from 35.5% to 9%, marking a substantial 75% decrease. This narrowing disparity between the lowest-paid workers and those earning higher wages involves a reduction of inequality but also raises development concerns. Ideally, efforts should be made to uplift those at the bottom of the income scale rather than bringing down those who are better off. This trend is not conducive to societal progress and may have negative implications for overall economic stability and social well-being.

In the post-pandemic era, there has been a rise in labor turnover, causing a higher movement of workers in and out of formal employment. This has made it challenging for the informality rate to drop below 54.5%. Consequently, only a small percentage of workers can accrue enough working hours to contribute to their pension funds and less may not qualify to receive the minimum pension benefits at the end of their working lives.

The effective pressure rate, which also could be called labor force underutilization rate, accurately reflects job search activity and workers' willingness to seek new employment due to factors like long work hours or low wages. This has risen from 25.51% in the fourth quarter of 2018 to 40.4% in the same quarter of 2024.

It is worth noting that the methodology for the ENIGH survey changed in 2022, impacting the calculations for 2016, 2018, and 2020, and defined that for 2024. All data was adjusted for consistency over time. This adjustment also affected poverty and inequality figures based on income distribution from the ENIGH. Both multidimensional poverty and the Gini index have shown improvements during the period, with multidimensional poverty decreasing from 52.2% to 38.5% and the Gini index from 0.49 to 0.42. These figures may require further evaluation in the future.

VIII. REFERENCES

1. CONAST (National Conference of Secretaries of Labor) (2014). CONAGO. México. August 28. www.conago.org.mx.
2. CONEVAL (National Council for the Evaluation of Social Development Policy) (2022). Evolution of income poverty lines. <https://www.coneval.org.mx/Medicion/MP/Paginas/Lineas-de-Pobreza-por-Ingresos.aspx>
3. CONEVAL (2023). CONEVAL presents information on working poverty for the fourth quarter of 2022. https://www.coneval.org.mx/Medicion/Paginas/ITLP-IS_pobreza_laboral.aspx#:~:text=Entre%20el%20cuarto%20trimestre%20de,%25%20a%2038.5%25%2C%20respectivamente.
4. CONASAMI (Minimum Wages National Commission) (2025). Minimum General and Professional Wages by Area and year tables. <https://www.gob.mx/>
5. DOF (Official Federation Diary) (2012). Federal Labor Law. Mexico, november 30.

6. GCDMX (Government of the City of Mexico) (2014), Política de Recuperación en México y en el Distrito Federal del Salario Mínimo. Propuesta para Acuerdo, México: GCMX, August.
7. ILO (International Labor Organization) (2015), Global Wage Report 2014/15, Wages and Income Inequality, Geneve.
8. INEGI (National Institute of Statistics and Geography) (2025a). National Accounts Statistics. <https://www.inegi.org.mx/temas/pib/>
9. INEGI (2025b). National Survey of Household Income and Expenditure 2024. <https://www.inegi.org.mx/programas/enigh/nc/2024/>
10. INEGI (2024a). National Index of Consumer Prices (INPC). <https://www.inegi.org.mx/temas/inpc/#tabulados>
11. INEGI (2024b). Total factor productivity KLEMS. <https://www.inegi.org.mx/programas/ptf/2018/#tabulados>
12. IMSS (National Institute of Social Security). Historical waged workers information. <https://www.stps.gob.mx/gobmx/estadisticas/asegurados.htm>
13. Organization for Economic Cooperation and Development (OCDE) (2023). OECD.Stat. <https://stats.oecd.org/index.aspx?queryid=36363>
14. Okun, A. M. (1962). "Potential GNP: Its Measurement and Significance". Proceedings of the Business and Economic Statistics Section of the American Statistical Association. Alexandria, VA: American Statistical Association.
15. Phillips, A. W. (1958). "The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom 1861–1957". *Economica*, 25.
16. STPS (Ministry of Labor and Social Prevision) (2014). Answer to the productive sectors in relation with the proposal to increase the minimum wage. August 16.
17. STPS (2025). National Survey of Occupation and Employment (ENOE). Second quarter 2025. https://www.stps.gob.mx/gobmx/estadisticas/ENOE_TRIM15_2020.htm
18. UIA-P (Iberoamerican University Campus Puebla) (2014). Document presented at the International Seminar on Minimum Wages, August 5 y 6, Mexico City.
19. UNDP (United Nations Development Program) (2014), Informe sobre Desarrollo Humano 2015 / Índice de Desarrollo Humano, Nueva York. <https://www.undp.org/es/publicaciones/informe-sobre-desarrollo-humano-2015>
20. World Bank (2025). GDP constant. <https://data.worldbank.org/indicator/NY.GDP.MKTP.K>

This page is intentionally left blank