

The challenge for economic and social welfare: maintaining the balance between employment and wage recovery.

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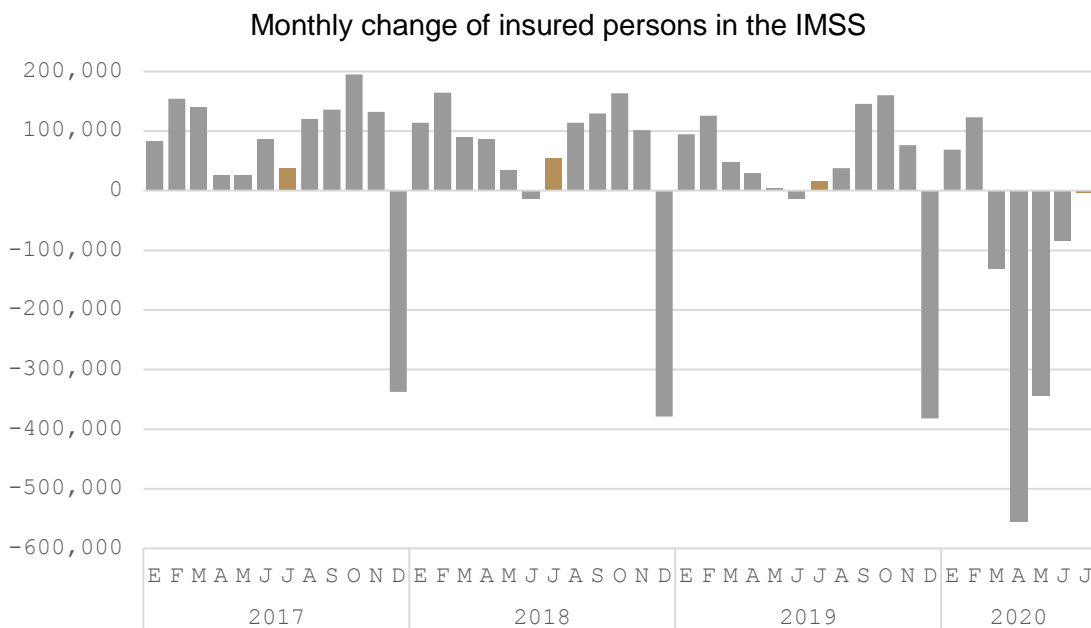
Strictly speaking, the recovery of formal jobs in the private sector began last July. Insured workers with an associated salary, which represent 99% of those insured by the Mexican Social Security Institute (IMSS), increased by 16,835 with respect to last month, a positive monthly variation of 0.1%. If there is no pandemic rebound, it is possible to begin to reverse the 1,111,888 jobs lost during March-June in this segment, which has fallen by 4.4% in comparison with the previous year.

Regarding the other segment of IMSS members, equivalent to 1%, the insured workers without an associated salary, where the loss of jobs in July was concentrated: -20,742, a monthly variation of -15.1%, is due to seasonal falls, so the health emergency is not the main cause. It is worth mentioning that this segment of workers includes 30 (sugar cane producers), 35 (employers who are individuals with workers at their service), 43 (voluntary incorporation of the field into the obligatory regime), 44 (independent) and whose registered salary is not that of a real income received but rather a referential salary equal to the minimum wage.

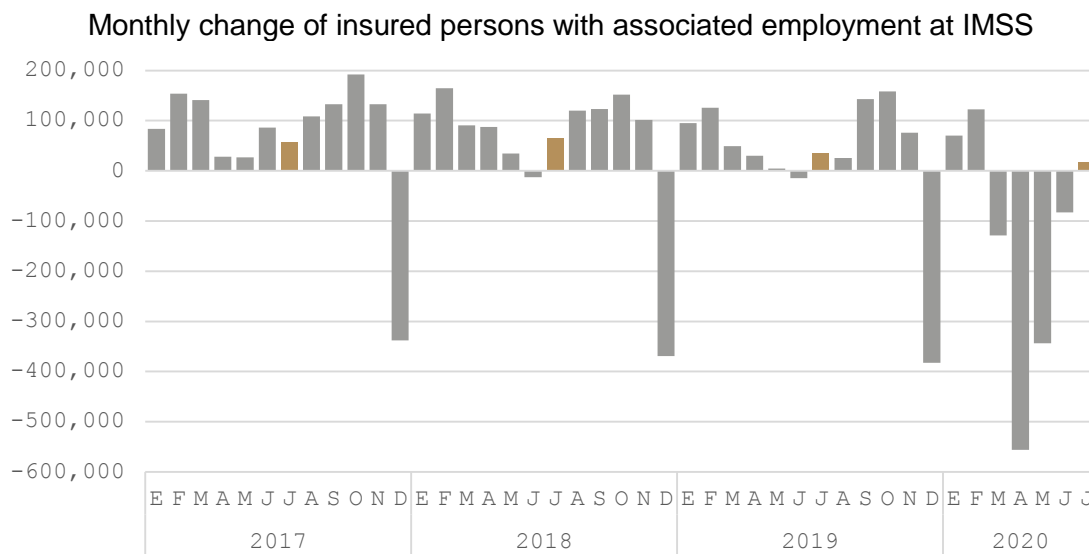
Last Sunday, August 23, President Andrés Manuel López Obrador reported that 66,734 places had been recovered, so it is likely that August will close with a positive balance of more than 80,000 places. Of course, this figure is less than a tenth of the accumulated unemployment, so the pace of formal job creation will have to increase in subsequent months.

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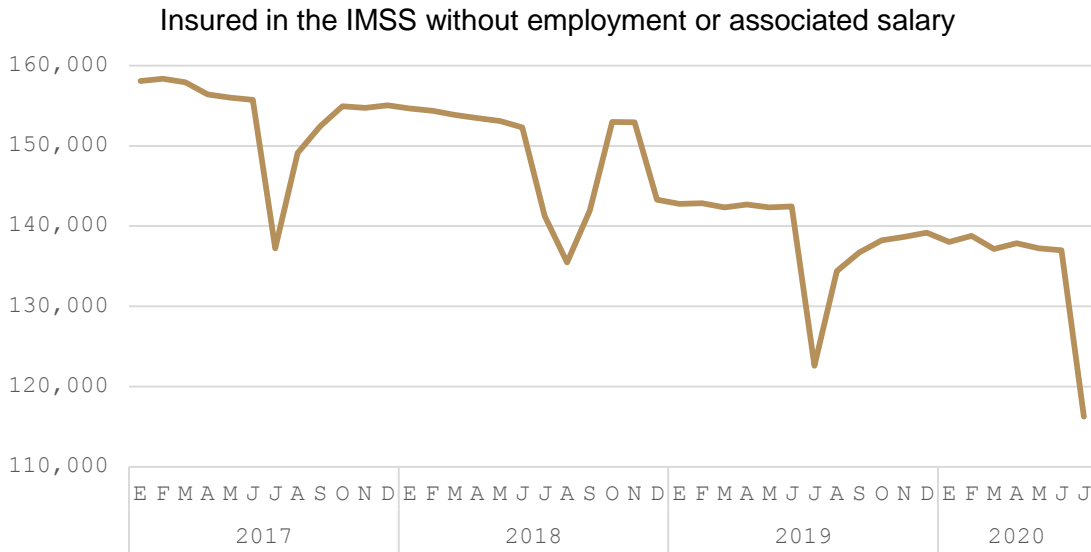
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Source: Prepared by Conasami with IMSS data



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In terms of wages, the 126,249 jobs generated were in the low (up to two minimum wages, 54%) and intermediate (more than 5 and up to 10 minimum wages, 46%) wage ranges. While the unemployment rate continued with 109,414 jobs in the rest of the ranges. The most affected was that of workers who earn "more than 2 and up to 3 minimum wages" with 40%, followed by those located in the thresholds of "more than 15 minimum wages" and those located in "more than 3 and up to 4", with 28% and 24%, respectively. As the economic reactivation unfolds, it will be possible to appreciate whether it is a question of re-entry of workers or the change of existing positions to lower salaries or a combination.

Insured workers by salary range July 2020

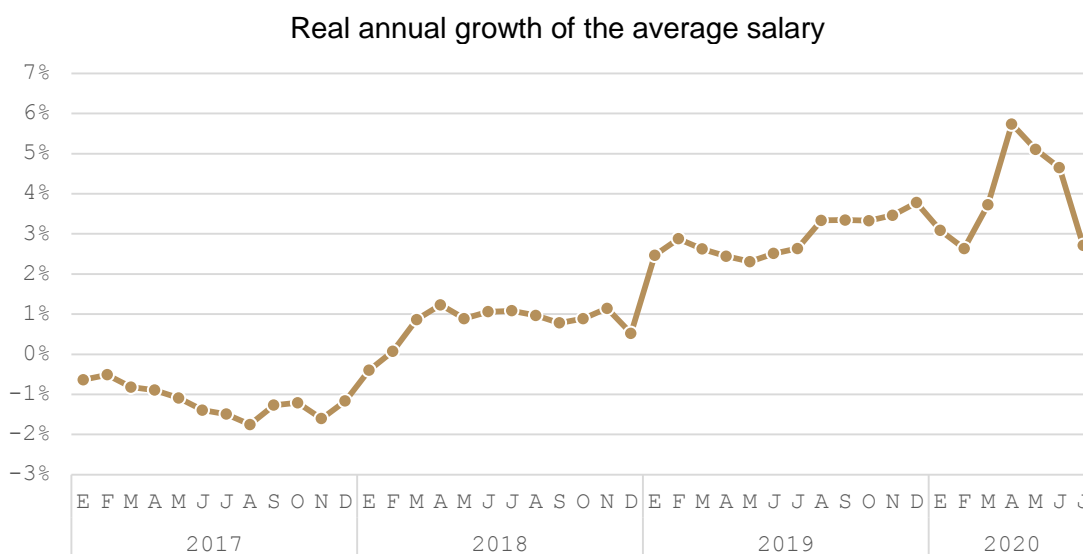
Salary range	Workers	Monthly variation	
		Absolute	Relative
Up to 1 SM	26,116	2,341	9.8%
More than 1 and up to 2 SM	9,495,052	65,879	0.7%
More than 2 and up to 3 SM	3,520,742	-44,105	-1.2%
More than 3 and up to 4 SM	1,825,573	-26,601	-1.4%
More than 4 and up to 5 SM	1,242,863	-6,856	-0.5%
More than 5 and up to 10 SM	2,198,512	58,029	2.7%
More than 10 and up to 15 SM	582,148	-1,637	-0.3%
More than 15 SM	488,686	-30,215	-5.8%

Only insured persons with an associated job are considered
 Source: Conasami calculations with IMSS data

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Contribution base salary

In June, the average contribution base salary of workers registered with the IMSS was 407.28 pesos per day (381.55 pesos as of July 2018); an annual increase of 4.7% although less than the 5.1% observed the previous month. During the health emergency, the average salary and its annual growth have been maintained, to a great extent, due to the arithmetical effect caused by the widespread elimination of low-wage jobs that occurred from March to June. However, in July the base salary for contributions was 405.20 pesos per day and although it has increased by 2.7% annually, this is the lowest since February. It is possible that as low-wage jobs recover and high wages decline, the average wage will be reduced. If inflation rises from its April minimum, as it did in July, which was 3.62%, the purchasing power will be reduced.



Source: Prepared by Conasami with IMSS data

The daily salary associated to IMSS insured persons by sector (expressed in pesos for the period July 2018-2020) shows a monthly decrease of -4.4%, maintaining a positive annual variation of 9.9%.

Except for social services, which showed a monthly increase of 10.7%, the rest of the sectors showed negative variations; the most pronounced was registered in the electrical industry and drinking water supply, with -24.4%; followed by commerce, with -8.6 and services for companies and individuals, with -7.7%.

In order to build a new normality with economic and social well-being, it is necessary to leave behind the false dilemma of employment at the expense of wages. The challenge is to maintain the balance, as has been the case, between employment generation and the recovery of the purchasing power of salaries.

Daily salary associated with IMSS insured persons by sector
Weights July 2018 - July 2020

Sector of activity	Daily Salary	Monthly variation		Annual variation	
		Absolute	Percentage	Absolute	Percentage
Agriculture, livestock, forestry, fishing and hunting	234.02	-0.40	-0.17%	8.35	3.70%
Extractive industries	637.38	-1.69	-0.26%	-5.20	-0.81%
Processing industries	396.42	-4.03	-1.01%	2.57	0.65%
Construction	251.82	-2.30	-0.91%	12.88	5.39%
Electrical industry and drinking water supply	852.53	-24.47	-2.79%	-32.53	-3.68%
Commerce	318.20	-8.69	-2.66%	4.54	1.45%
Transport and communications	408.80	-5.30	-1.28%	-4.05	-0.98%
Services for companies and individuals	373.64	-7.76	-2.04%	17.55	4.93%
Social Services	507.46	10.71	2.16%	19.77	4.05%
Actual total	377.12	-4.42	-1.16%	9.94	2.71%

Source: Prepared by Conasami with IMSS data

Formal employment in the private sector, as expressed by those insured by the IMSS, reached its lowest level in July. August marks the beginning of the occupational recovery. How vigorous will it be? We must be attentive to the upturn that will be reached between September and October, months where it tends to expand from a minimum of 43% (2018) to 336% (2019).