The Jus Semper Global Alliance
Living Wages North and South
Sustainable Human Development
February 2019
A TLWNSI LIVING WAGE ASSESSMENT

Mexico's Wages 2018 - 2024: To Change So That Everything Remains The Same

Real Wages appear to remain dwindling crumbs in an ethos of Neoliberal Populism — The rhetoric end of the Modern Slave Ethos advanced by the "progressive" wage policy of Mexico's new government is a travesty of what it boasts to portray.

> If we want things to stay as they are,
> things will have to change.
> Giuseppe Tomasi di Lampedusa (1957)

Álvaro J. De Regil

Background

Mexicans workers, from colonial times to the present day, in the latest iteration of neo-colonialism, have suffered, through varying techniques, a customary system of exploitation imposed by the elites. Since the post-war era, the customary centre-periphery relationship has ensured that economic policy is always in line with the interests of the metropolises of the system in connivance with their peripheral elites. During the so-called golden years of capitalism, the first three decades after 1945, demand-side Keneysian economics increased the wellbeing of most workers in both central and peripheral economies through a consistent increase of real wages. In Mexico and the rest of the periphery, elites sought to increase foreign investment through a set of comparative advantages that guaranteed greater returns on investment to the institutional investors and their corporations than what they were obtaining in their home countries. Despite the fact that real wages were relatively increasing, comparative labour costs for equivalent jobs were consistently dramatically lower in the periphery, even if they were

performing the same job for the same corporation. The periphery partners offered tax incentives and infrastructure to its foreign investment partners, but the main factor in the offering of comparative advantages was and remains the offering of labour costs at bondage prices. According to Spero, this scheme used in many developing countries in that period generated incredible comparative advantages for the North. In 1978 the income of US transnationals in the South accounted for 35% of all their income abroad, even though the South only represented 25% of their investments,[1] because productivity in the South was 65% higher at the expense of the workers' misery. The difference in profit margins is the part of the surplus value that legitimately belongs to labour's share of income, which is appropriated by the elites and their transnational partners.

The mechanisms of exploitation have varied over time, but the goal has been the same: to impose a system of reproduction and accumulation of capital that seeks to appropriate the workers' share of income from the economic activity. This implies actually robbing the legitimate share of income belonging to the workers in the context of a society that presumes to be democratic, as Mexico's robber-baron elite pretends to project with the help of its foreign tutors.

As the structures of neoliberal globalisation were gradually imposed, the centre-periphery mechanisms of human exploitation in Mexico have become more efficient. Mexican workers have lost much of the rights that had been achieved during the first half of the twentieth century. Likewise, with the integration of Mexico into the global-capitalist system —commanded by the institutional investors of the metropolises and managed from the governmental offices of the domestic elites— neoliberal policy has been to eliminate, neutralise or simply violate the labour rights framed in the Constitution and in the core agreements of the International Labour Organisation (ILO) ratified by the Mexican state. These include such basic agreements —in a truly democratic ethos— as freedom of association (87) and the elimination of forced and compulsory labour (29 and 105).

In this way, since 1982, but more systematically since the Salinas period (1988-1994), a tough wage containment policy was initiated, as well as the dismantling of collective bargaining agreements —a fundamental element in labour negotiation— and the open repression of workers. A paradigmatic example was the illegal break of Ford's workers strike, using gunmen in the Cuautitlán Assembly plant in 1990 —including a hunger strike— caused by the labour relations imposed by the company's undemocratically imposed union and by the violation of the workers' right to freedom of association.[2] The conflict ended when the gunmen left one person dead and several injured.

Every year, labour policy maintains the minimum wage at its lowest level by blocking any increase above inflation, despite the fact that real wages have been pulverised consistently since the early 1980s. This is possible because the consumer price index (CPI) for the basic goods consumed by working families is much higher than the inflation index for the entire economy. This wage erosion trend is extremely consistent with the data reporting on the wages of all employed in manufacturing since 1996. Mexico's equalisation index (equal pay for equal work of equal value) has barely changed in twenty years between a high of 19 (19%) in 1996 and a high of 18 (18%) in 2016 of what they should have earned for performing equivalent work in purchasing power terms. Thus, virtually it has not moved, unlike the case for most countries, which have shown marked improvements in equalisation.[3]

---

[1] Joan Edelman Spero, The Politics of International Economics: St. Martin's Press, 1981

[2] Andrew Reding y Christopher Whalen: Una Frágil Estabilidad. Reforma y represión en México bajo el régimen de Carlos Salinas, 1989-1991. Proyecto México World Policy Institute, 1993.

[3] For a detail explanation of living wage equalisation, see: The Jus Semper Global Alliance: Mexico's Wage Gap Charts: Wage rates for all employed in manufacturing — 2018 Report: Wage gap charts for Mexico vis-à-vis selected developed and "emerging" economies, with available wage and PPP data (1996-2016), August, 2018.

To accomplish this, the state has unleashed a policy, increasingly more repressive, of labour rights violations. The repression has centred on the destruction of trade unions, the harassment of their leaders and the blatant violations of labour law, given the state of absolute impunity prevailing in Mexico, with the full international support of the governments' "partner" countries. The ILO's core conventions, ratified decades ago by the Mexican state, are violated customarily. Miners, energy workers and farm day labourers have endured one of the most systematic repressions. A series on Mexico's labourers published by the Los Angeles Times provides a vivid and accurate account of sheer labour bondage as the standard enjoyed by employers in Mexico, with the full support of the state.[4] NAFTA is a true disaster, but the real losers are the Mexican workers, who subsidise U.S. wages and consumer prices with modern-slave-work wages, with millions losing their livelihoods, and many forced to migrate to the U.S, in contradiction with Trump's government propaganda.[5] The Mexican State has effectively betrayed Mexico by imposing predatory trade agreements, well aware beforehand that such agreements would destroy the social fabric, surrender natural resources and convert the vast majority of the population into a huge mass of Guy Standing's "precariat".[6]

> *the real losers are the Mexican workers, who subsidise U.S. wages and consumer prices with modern-slave-work wages, with millions losing their livelihoods, and many forced to migrate to the U.S, in contradiction with Trump's government propaganda*

The result in the daily life of Mexico's labour force, unionised or not, has been —besides the precariousness in the tenure of employment— a constant deterioration in real wages that prevents workers and their families from enjoying a life worthy of human dignity. This is the case for workers in the formal economy. It is a dramatically far worse situation for those who survive in the informal economy, which account, according to the OECD,[7] for nearly sixty-percent of the entire workforce. Needless to say, the miserable quality of wages in general has disastrous consequences —strictly based on the market's logic— on the prospects for growth and capitalist "economic development" for any country.

The neoliberal excuse to justify depressing real wages has always been the fight against inflation, particularly since the recurring crises with devaluations in the last part of the twentieth century. Thus, the robber baron's wage rhetoric from Salinas onward has always been to condition the recovery of real wages to the increase of efficiencies and productivity. This is a rather cynical argument because the Mexican state's policy has pursued, at all times, increasing capital accumulation and enhancing labour discipline (antidemocratic control) while neglecting the needs of workers and their families.[8] If wages were increased, prices would also increase to keep profit margins, thus fuelling inflation. It is indeed a blatant cynicism because productivity growth has predominantly increased by depressing labour costs. Indeed, by the start of the 2010 decade, the purchasing power of wages had already lost 75% of their real value in 1978.[9]

This policy has been imposed over and over again during the last thirty-six years, in compliance with a centre-periphery strategy to impose the dictates of the Washington Consensus around the so-called developing world. The fundamental fact, however, is that —in the era of neoliberal globalisation— the low-wages policy in the South continues to be the key element of the world's capitalist system. This has the most transcendental and direct effect on the constant appreciation of shareholder values of the institutional investors of international financial markets and on the levels and modalities of

[4] Ricard Marosi: Times investigation: Hardship on Mexico's farms, a bounty for U.S. tables, Los Angeles Times, 6 December 2014.

[5] Felicity Lawrence: Trump is right: NAFTA is a disaster. But US workers aren't the big losers. The Guardian, 18 November 2016.

[6] Guy Standing: The Precariat – The New Dangerous Class (Bloomsbury Academic, London, 2011).

[7] (Employment Outlook 2011 – How does Mexico compare? OECD, 2011)

[8] Francisco Zapata: La Negociación de las Reformas a la Ley Federal del Trabajo (1989-2005). El Colegio de México, Foro Internacional 183 (vol. XLVI, núm. 1 enero-marzo 2006).

[9] Alejandro López Bolaños: MITOS DE LA REFORMA LABORAL EN MÉXICO, OBSERVATORIO DEL DESARROLLO, vol. 1 no. 3, Unidad Académica en Estudios en Desarrollo, Universidad de Zacatecas, Julio - Septiembre 2012.

poverty in the countries of the South. This is the key factor in the centre-periphery stratagem: the conniving association between the robber barons of both the metropolises of global capitalism and the peripheral countries of the system.

Arghiri Emmanuel clearly explained in his work of "Unequal Exchange"[10] the logic alien to capitalist economic theory that is applied asymmetrically in wages and terms of trade against the South. Emmanuel denounces the fact that wages, income and taxes are established extra-economically or exogenously to the detriment of the countries of the South. Eva Swidler comments on the topic: *Less discussed today, but still important, is the global system of unequal exchange, first named in the early 1960s by the economist Arghiri Emmanuel. The subject of much theorisation and debate, unequal exchange might be summed up as a phenomenon in which international trade conditions and foreign exchange relations tend to value (or undervalue) labour in a way that transfers profits to capitalists in the North.*[11] Claudio Jedlicki —an economist specialised in Iberian America and a collaborator of Emmanuel until his death— synthesises the theory of unequal exchange explaining that *the normal price of merchandise in international markets is what allows all the factors involved in its production in any part of the world to be remunerated at the same level. This would happen if there were for each factor a world market in which demand and supply would be compared. However, wages, like income or indirect taxes, are the remuneration of factors that are established independently or institutionally, ultimately in an extra-economic or exogenous manner*.[12]

That is to say, the societies of Mexico and of the other developing countries suffer from a North-South exploitation system in which one of their main features is the bondage wages of the vast majority of workers. In this way, unequal exchange constitutes a trade imperialism that historically has generated huge profits for the North, higher than the interest recovered by the banks and the profits of multinationals in developed markets. However, Jedlicki alerts us that these profits leave a feeble trace of the exploitation system, since much of it is hidden in the prices that the North administers for all the goods and services in its transactions with the South, as well as for the very low value of the exports from the South, resulting mainly from the low remuneration of its labour force. Therefore, what stands out with greater evidence —in what Jedlicki calls trade imperialism— is the remuneration of the labour factor, which, exogenously to the so-called logic of market economies, is established on both sides via institutional policies. Essentially, it is the policies that are discussed by the governments of the metropolises and their agents/partners in the governments of the South that determine the labour shares of income resulting from the economic activity.

The real value of wages in Mexico up to 2018

From a global perspective, the carefully-designed labour policy –since the 1980s– of Mexico's governments has continued unabated. Using the latest report on manufacturing living wage gaps from The Jus Semper Global Alliance, nominal wage rates appear to be now lower than or as low as in China, with the big difference that China has been increasing real wages steadily. With Mexico there has been virtually no change in equalisation terms between 1996 and 2016. This makes Mexico, barring the Philippines and perhaps India, the country with the worst living-wage equalisation position of the 34 countries in the three regions of Jus Semper's living-wage gap assessments.[13] Yet the most dramatic example of the deliberate wage policy of plundering imposed by the Mexican state is the comparison of manufacturing wages between Mexican and South Korean production-line workers. For production-line workers, South Korea's strategy

[10] Arghiri Emanuel, Unequal Exchange: A Study of the Imperialism of Trade (New York: Monthly Review Press, 1972).

[11] Eva Swidler: Invisible Exploitation - How Capital Extracts Value Beyond Wage Labour, The Jus Semper Global Alliance, Essays on True Democracy and Capitalism, January 2019.

[12] Claudio Jedlicki: Unequal Exchange, A TLWNSI Issue Brief. The Jus Semper Global Alliance, September 2007.

[13] The Jus Semper Global Alliance: Mexico's Wage Gap Charts: Wage rates for all employed in manufacturing — 2018 Report: Wage gap charts for Mexico vis-à-vis selected developed and "emerging" economies, with available wage and PPP data (1996-2016), August, 2018., page 13.

could not be more divergent with Mexico's when comparing the mutual proportion of purchasing power parities of real wage rates of both countries between 1975, and 2009. In 1975 México's production-line real wage rates were 3,5 times South Korea's. By 2009 we observe an inverse relationship, for South Korea's wage rates were 2,9 times Mexico's as shown in chart I.[14] Using the latest available data, South Korean wages for all employed in manufacturing in purchasing power terms increased to 3,7 times Mexico's equivalent wages in 2016.[15] What did South Korea do differently from Mexico and other countries? It eschewed the now discredited mantra of the Washington Consensus, to grow with a good degree of equity.[16]

Chart I: Mutual proportion comparison of PPP real wage rates between Mexico and South Korea for production-line workers (number of times)

From a domestic perspective, the minimum wage has been pulverised for 36 years and has been for decades and is unequivocally, a modern slave-wage. To assess the quality of the minimum wage vis-à-vis the living wage, the former is typically compared against what is called the Indispensable Basket of Goods or CBI (by its Spanish acronym). The CBI is an academic standard developed to measure the purchasing power of wages and as a reliable indicator to assess poverty. In 2014, the "Wage Observatory Centre" of Universidad Iberoamericana (UIA), performed an assessment of the cost of the CBI performed in the city of Puebla, the fourth-largest city in the country and representative of the average cost of living in Mexico. The CBI is composed of a food-items basket and a non-food-items basket (a combined food and other basic items and services basket for a household of four). The CBI is assessed as the bare minimum necessary for the reproduction of the workforce. In the Centre's 2014 field survey, the combined monthly cost of both baskets was P$16.444,76. In 2014 the monthly minimum wage was P$2.018,70, which could afford 12,3% of the CBI.[17] In other words, to buy the CBI workers required 8,15 minimum wages in 2014. However, according to INEGI, the government's statistics institute, 76% of all salaried workers earned five minimum wages or less, only 8,4% earned more than five minimum wages and 15,5% did not disclose their income.[18] Thus, we can very conservatively assert that at the very least 85% of all salaried workers could not afford to buy the CBI in 2014. Indeed, Mexico's wage policy has been so predatory over the decades, that Mexico's minimum wage (about $ 135 U.S. dollars monthly) was in 2018 among the lowest in the Americas', only El Salvador, Nicaragua and the Dominican Republic were behind.[19]

Lastly, if we measure the affordability of the CBI with manufacturing wages, the best wages in the economy, they could not afford to buy it as well. Indeed, the monthly cost of this CBI in dollars in 2014 was $1.237,20. Applying the CBI costs to the hourly direct pay of $3,50 (not counting taxes, social or company indirect benefits) of all employed in manufacturing in Mexico, shows that not even these workers –the best paid– were able to afford it. Using 40 hours per week shifts over 4,33 weeks in a month would only buy 49% of this CBI.[20] Hence it is not surprising at all that in the

[14] ibid, pages 16 and 22.

[15] ibid, pages 23 and 41-44.

[16] Álvaro J de Regil: SOUTH KOREA'S TORTUOUS ROAD TOWARDS A LIVING-WAGE ETHOS, The Jus Semper Global Alliance, A TLWNSI Living-Wage Assessment, October, 2013.

[17] Informe 2014 del Observatorio de Salarios, Universidad Iberoamericana, Puebla

[18] INEGI: Indicadores estratégicos de ocupación y empleo, ENOE 2014

[19] Expansión \ datosmacro.com and wageindicator.org, consulted on 15/08/2018

[20] The Jus Semper Global Alliance: Mexico's Wage Gap Charts: Wage rates for all employed in manufacturing — 2018 Report: Wage gap charts for Mexico vis-à-vis selected developed and "emerging" economies, with available wage and PPP data (1996-2016), August, 2018., page 14.

latest report of the Economic Commission for Latin America and the Caribbean, Mexico shows the second lowest wage share of income vis-à-vis the GDP. In 2016, the share of wages in total income for Mexico was only 26,7%. By comparison, Costa Rica, Brazil, Honduras and Argentina, all recorded shares between 46,8% and 42,8%.[21] As a result, Mexico stands out as one the most unequal economies. Alicia Barcenas, the Executive Secretary of ECLAC, asserts that Mexico leads the list of countries in Iberian America with the greatest concentration of wealth in a few hands.[22] ECLAC also reports that Mexico's poverty rate is 15% higher than the region's average.[23] Indeed, the ECLAC report explains that although the Gini index is 0,50, the Gini index was 0,69 for the value of dwellings and 0,78 for contracts in brokerage firms (value of investment in financial assets), which is the worst in the region[24] (A 0,0 Gini is perfect equality).

López Obrador's views on wage policy

President López Obrador has always portrayed himself as a staunch defender of the people and particularly of the tens of millions of poor Mexicans. Throughout his political campaigns for the presidency, since 2006, he always positioned his proposed government as one that would work to provide special attention to the dispossessed. His campaign slogan: "*Por el bien de todos primero los Pobres"*, or "For the sake of everyone the Poor First", was the hallmark describing his political position and priorities. However, when it comes to his political economy views, we can observe a vision not so keen on the poor, but on supporting the current structures of exploitation.

If we look at his statements since he began to pursue the country's presidency we can observe an inconclusive position relative to the deliberate decimation of wages as a permanent state policy. He decried the extreme inequality, which he qualified as shameful, but he did not link it directly to the need to, at the very least, recover the real value of wages prevalent before the imposition of neoliberal economics in 1982. For example, he criticised in 2003 the fact that Mexico was ranked number four in the number of billionaires, whilst children died of hunger in Chiapas. He would criticised as well the emphasis of economic reform on privatisation instead of on fighting poverty.[25] Already fully embarked on his campaign for the 2006 presidency, he put together his Plan of Fifty Commitments, in which his view on the quality of wages was extremely succinct and ambiguous: *Commitment 5: We will guarantee that the increase in the minimum wage will be above inflation*.[26] There is no mention of recovering the real value of wages lost in the previous two decades. In the economic plan for López Obrador's presidential campaign in 2012, Morena, the citizen's movement that he created and that eventually became a party, proposes to reduce poverty by thirteen million people. This would be achieved by *creating seven million new permanent, productive and formal new jobs*. This would be materialised by increasing public and private investment by 16% annually. The end result, according to this plan, would be to increase GDP growth by 6% and the purchasing power of wages by 30%. There is no further explanation of how exactly and with what policies, new laws or executive decrees this would be accomplished.[27] Mexico's minimum wage has a "general minimum wage" and a "professional minimum wage" tier. The latter is the minimum wage for 59 specific "professions, trades and special jobs".[28] The minimum wage rates for these activities are always about 25% higher for the lowest-pay activity than for the general minimum wage rate.

[21] ECLAC: Social Panorama of Latin America • 2018, page 51.

[22] Dora Villanueva: México, país de AL donde se concentra más la riqueza: Cepal, La Jornada, 15 January 2019.

[23] Mathieu Tourliere: Pobreza en México, 15% superior al promedio de América Latina: Cepal, Proceso, 15 January 2019.

[24] ECLAC: Social Panorama of Latin America • 2018, page 19.

[25] Bertha Teresa Ramírez: La reforma económica debe acabar con la "vergonzosa" desigualdad, La Jornada, 27 January 2003.

[26] Casa del Plan de los 3 Puntos: Los 50 Compromiso, 18 August 2004.

[27] Morena — Despierta México: La Ruta del Progreso Industrial: Nuestra Visión, Nuestras Propuestas, Nuestras Acciones, 19 January 2012.

[28] A minimum wage in Mexico refers to a tier of 59 specific activities that do not require a university degree but refer to some degree of skill to perform the work; these activities range from drivers for public transportation service, electricians, plumbers, construction workers, carpenters, painters, welders, office clerks and seamstresses, among others.

At the start of his bid for the 2018 presidential election, he published his book, "Nation's Alternative Project — 10 points to Achieve the Rebirth of Mexico", prepared by his team of advisors and consultants. His wage policy is not one of the ten points but only covered as part of point 6: "To create a new Economy". On wages he states that the goal is to *Change the salary system to allow the immediate recovery of workers' income*. He explicitly states the completely unrealistic *immediate recovery of workers' income*,[29] but he leaves no doubt that his view remains anchored on neoliberal economic policy. Indeed, the document states: *For its part, the government must seek the gradual and sustained increase in real wages. The phenomenon of growth in labor productivity with a decrease in real wages, characteristic of large sectors of the Mexican economy, is unfair and irrational.*

But then the next sentence states that wages must grow in line with productivity: *Increasing the purchasing power of salaries, as long as it is based on greater productivity, would generate a virtuous circle of greater domestic demand, greater growth and greater business opportunities for entrepreneurs. This virtuous circle was broken many years ago. It is necessary to recover it.*[30]

Linking real wages to an increase in productivity has been the linchpin of neoliberal economics worldwide, from inception, to materialise the deliberate pauperisation of wages. Conditioning the increase of wages to a concurrent increase of productivity is exactly the same argument used by the Salinas government thirty-six years before to decimate wages.[31] Consequently, López Obrador's view on wages as stated in his plan is full of cynicism and contradiction because productivity in Mexico has been historically achieved by reducing labour costs to Modern Slave Work wages but all the more so for the last thirty-six years under neoliberal economics.

Conditioning the increase of wages to a concurrent increase of productivity is exactly the same argument used by the Salinas government thirty-six years before to decimate wages

In another section he rightly describes and denounces the complete pauperisation of wages as a deliberate economic policy. He attributes the drastic loss of the value of real wages to structural causes:

The lack of a genuine representation of the workers, coupled with an economic policy that subordinates work to the attraction of investment, as well as the existence of a corporatist and pro-business labour policy, have caused a historic wage drop in the country, which places us in the last ranks of the scale at the continental and world's level.[32]

The paper also makes reference to the huge wage gap in manufacturing hourly wages between Mexico and the U.S. and Canada, its two NAFTA partners. The document attests to the loss of 75% of the real value of the minimum wage and exposes the huge gap between the minimum wage and the cost of the basic basket of goods, explaining that while the cost of the basket increased 551% between 1995 and 2006, the nominal minimum wage only increased by 218%.[33]

Lastly, in case there was any doubt about his vision on the path to recover real wages, productivity is clearly considered as one of the three factors to increase real wages along with inflation and public policy on the matter:

---

29 PROYECTO ALTERNATIVO DE NACIÓN — 10 Puntos para lograr el renacimiento de México, December 2013, page 100.

30 ibid, page 95.

31 Alejandro López Bolaños: MITOS DE LA REFORMA LABORAL EN MÉXICO, OBSERVATORIO DEL DESARROLLO, vol. 1 no. 3, Unidad Académica en Estudios en Desarrollo, Universidad de Zacatecas, Julio - Septiembre 2012.

32 PROYECTO ALTERNATIVO DE NACIÓN — 10 Puntos para lograr el renacimiento de México, December 2013, page 98.

33 *ibid*.

Minimum wages are an important element in the labour market since they directly impact the level of employment in a country and the standard of living of wage earners. The wage recovery that we propose will allow us to leverage a new development strategy, where economic growth, the strengthening of the internal market, the increase in productivity and the competitiveness of the country, are accompanied by the sharing of benefits for workers. This recovery policy must take into account at least three factors: the average between real inflation for the previous year and the expected one, a percentage assumed as public policy and the productivity by branch of industry and region. This ensures that workers do not lose purchasing power, that inflationary risks are tackled and that income redistribution moves forward to attack social inequalities.[34]

The new government's economic policy on wages

For the 2018 election, which he finally won overwhelmingly after experiencing blatant electoral frauds, amply documented, in the 2006 and 2012 presidential elections, he prepared a detailed 461 page document, his "Nation's Project 2018-2024" as his campaign government plan proposed to the citizenry. This time, for a change, he explicitly lays out a very specific and concrete wage policy. He reiterates his concern about the huge gaps in manufacturing wages between Mexico and the U.S. and Canada, its NAFTA partners, which is all the more dramatic when, in many instances, the gaps are between workers working for the same corporations doing the same or a similar job. Once again, the document expresses concern about the fact that Mexico's wages are among the worst in the region, only above Nicaragua, Guatemala and Honduras, according to his sources.[35] He makes constant remarks about the need to increase productivity in all economic activity, particularly in the agricultural sector, as he should. He also makes reference to what he considers successful policies by other countries to increase the productivity of their workers. One is Chile's "ChileValora", a program of assessment and certification based on predefined productivity standards. The program is aimed at increasing employment and real wage increases, anchored on the concept that the program's certification of the workers' productivity, based on their certified capacities, guarantees to potential employers a greater productivity of the workers to justify higher wages for their work.[36] Another case that the plan makes reference to as a successful concept to increase productivity, employment and real wages, is the very active involvement of the Uruguayan state in labour relations to "regulate" the interaction between employers and unions in collective bargaining —in contrast with the traditional neoliberal position to refrain from any intervention— which has increased both productivity and real wages very substantially.[37]

The above notwithstanding, this time, in contrast with all the previous documents since López Obrador began to vie for the presidency, his plan refrains from conditioning the increase of wages to an increase of productivity. The document does not explain explicitly why there is a change from previous views or why his wage increase policy must not be conditioned to and in line with any increase in productivity. In two pages of his document, he succinctly lays out what he explicitly calls the plan's "Minimum Wage Recovery" project. The plan states that the real value of the minimum wage has drastically dropped as a result of a policy of wage containment. Consequently, the proposal is to achieve substantial progress in complying with the constitutional standard. This standard, article 123 of Mexico's Constitution, is that general minimum wages must be sufficient to satisfy the normal needs of a head of household, in the material, social and cultural order, and to provide for the compulsory education of the children.[38] This is the compulsory threshold

[34] ibid, page 100.
[35] Proyecto de Nación 2018-2024, 31 January 2018, pages 20 and 21.
[36] ibid, page 217.
[37] ibid, page 222.
[38] CONSTITUCIÓN POLÍTICA DE LOS ESTADOS UNIDOS MEXICANOS — Constitución publicada en el Diario Oficial de la Federación el 5 de febrero de 1917. TEXTO VIGENTE Última reforma publicada DOF 27-08-2018 , artículo 123, apartado A, párrafo VI, page 126.

necessary to guarantee a Mexican household a life worthy of human dignity; essentially the threshold is the constitutional right of the head of household to earn a living wage. The living wage must be enough to support his/her household.

> *Article 123 of Mexico's Constitution: general minimum wages must be sufficient to satisfy the normal needs of a head of household, in the material, social and cultural order, and to provide for the compulsory education of the children. This is the compulsory threshold necessary to guarantee a Mexican household a life worthy of human dignity; essentially the threshold is the constitutional right of the head of household to earn a living wage. The living wage must be enough to support his/her household.*

Before we assess the plan's minimum wage recovery proposal, we need to put it in context with the dismal state of the minimum wage in real terms. Currently the daily minimum wage is only enough to cover a fraction of the most basic needs. In 2018 it was of P $2.650,80 per month.[39] The plan's minimum wage recovery concept is based on the expectation that the consolidation of macroeconomic and industrial and sectoral policy, would induce the generation of investments and employment to facilitate the conditions for the minimum wage to exceed the minimum welfare line indicated by CONEVAL.[40] This is the basic threshold defining the poverty line. This of course has nothing to do with the need to earn a living wage. So it is a lower threshold. CONEVAL stands for the National Commission for the Assessment of Social Development Policy. The poverty lines are determined vis-à-vis a predefined basic basket of goods and services to determine specific poverty lines and what is called multidimensional poverty, which is composed of eight indicators: current income per capita, educational backwardness, access to health services, access to social security, quality of housing space, access to basic housing services, access to food and degree of social cohesion. CONEVAL's nutritional and non-nutritional baskets refer to the minimum thresholds of average household expenditures that are used to compare with INEGI's National Survey of Household Income and Expenditures, in order to assess poverty percentages. Their thresholds are not designed to assess the required income to enjoy a dignified quality of life; that is, a living wage. Moreover, the metric focuses on the entire household income, which could be composed of more than one income earner. For instance, CONEVAL had a household income poverty threshold (in 2017) of P$11.291 per month for a household of four, but it clearly states that this is below what could be considered a dignified standard of living:

The food and non-food baskets that CONEVAL determined since 2009 (and whose methodology was made public that same year), refer to the minimum thresholds of average spending that are used to compare with the household income of the ENIGH and determine percentages of poverty. But these baskets are not the consumption that CONEVAL suggests for the population to have an adequate life. These are two different things… To generate a normative food and non-food basket, that is, the one recommended at least for the entire population in Mexico, it will be necessary to generate empirical studies, beyond the ENIGH, to determine adequate consumption for the population: Studies that would require to possibly being regional, distinguishing specific characteristics for different population groups.[41]

In line with article 123, one minimum wage must be enough to provide a dignified standard of living to a Mexican household, which currently is typically composed of four members. The field survey prepared by UIA in 2014 to

---

[39] Secretaría del Trabajo y Prevision Social: Salario Mínimo Vigente del 1 de diciembre de 2017.

[40] Proyecto de Nación 2018-2024, 31 January 2018, page 226.

[41] CONEVAL: Canastas alimentarias y no alimentarias, observadas y normativas, JUNE 2017, pages 2 and 3.

determine the CBI or Indispensable Basket of Goods (IBG) (indispensable to enjoy a dignified quality of life), provided a benchmark price of P$16.444,76, which is composed of the Basic Nutritional Basket (monthly cost of P$6.563,14) and the Basic Non-nutritional Basket (monthly cost of P$9.881,62)[42]. In other words, one minimum wage must be at least equal to the cost of the IBG to be a living wage. As we can observe, the cost in 2014 was already 45% higher than CONEVAL's household income poverty threshold in 2017 of P$11.291, likely composed of more than one minimum wage. In our own projections, to estimate the cost of the IBG in 2017, we applied a very conservative approach to assess the inflation of the IBG to be only 33% higher than the CPI (Consumer Price Index) inflation for the entire economy (GDP). Normally, the former is around 50% and occasionally 100% higher in some years than the latter. This drew a cost of P$19.585,97 for the IBG, or 73% higher than CONEVAL's poverty line metric for 2017.

To update the cost of living to 2018, our very conservative estimate cost, using UIA's 2014 as the benchmark —applying a 6% annual inflation rate vis-à-vis a 4,5% inflation for CPI— would be P$20.761. Since the monthly minimum wage in 2018 was P$2.650,80, it would buy 12,8% of the IBG, a very small fraction. It would take 7,8 minimum wages to pay for the IBG. This is a small improvement from the 8,3 minimum wages required to pay for the IBG in 2014. This is due to the previous government's reaction to a worldwide criticism of its miserable wage policy. Thus, the government devised a way to not look so bad by slightly recovering the real value of the minimum wage in more than three decades. Hence, the minimum wage for 2017 was increased arbitrarily by P$4,00, by a so-called "Independent Recovery Amount" (MIR for its Spanish acronym) and then 3,9% was applied to offset the estimated CPI inflation rate. In this way, the minimum wage increased by 9,58% from P$73,04 to P$80,04 per day.[43] The same criterion was applied for 2018, with an "Independent Recovery Amount" of P$5 plus another 3,9% increase to account for CPI inflation.[44] This time the minimum wage increased by 10,39% from P$80,04 to P$88,36 per day.

Of course, the vast majority of salaried workers are far from being able to afford the IBG. According to INEGI, 74,2% of all employed persons earn not more than five minimum wages. Only 4,5% earn more than five minimum wages and 6,4% do not earn a wage (unpaid dependents and self-employed under conditions of subsistence). The remaining 14,9% did not disclose their income.[45] Hence, we can assume with a great degree of confidence and optimism that not more than 15% earned enough to buy the IBG in 2018.

Consequently, although the goal of López Obrador's plan for the minimum wage is clearly to recover the value of wages, it still falls far short from the need to make the minimum wage equate with the constitutional requirement of amounting to the living wage threshold. Obviously, the gap between the minimum wage and the living wage is so dramatically wide, that it is absolutely impossible to close it in six years as a matter of policy. Yet, the plan should have at least made a clear reference to the gap between the minimum and the living wage and propose to set out as its goal to reduce the gap banking that future administrations follow through with the same policy to eventually close such an enormous gap. Moreover, there is no explicit mention of the living wage or the need to achieve the living wage as the standard. The only mention of the living wage in the plan refers to the United Kingdom's Living Wage Foundation that provides a seal of approval to businesses that voluntarily pay their workers a living wage.[46]

---

[42] Informe 2014 del Observatorio de Salarios, Universidad Iberoamericana, Puebla, http://redsalarios.org/app/uploads/informe_del_observatorio_de_salarios.pdf

[43] Comisión de Salarios Mínimos: Boletín de Prensa: Comisión de Salarios Mínimos: Boletín de Prensa del 1 de diciembre de 2016.

[44] Comisión de Salarios Mínimos: Boletín de Prensa: Comisión de Salarios Mínimos: Boletín de Prensa del 21 de noviembre de 2017

[45] INEGI (2018), Encuesta Nacional de Ocupación y Empleo *(ENOE)*, tercer trimestre de 2018, Aguascalientes, INEGI.

[46] Proyecto de Nación 2018-2024, 31 January 2018, page 231.

Nonetheless, in contrast with his previous approaches, this time López Obrador's plan specifically states a concrete approach to achieve some progress in recovering the real value of the minimum wage in purchasing power. His plan consists on increasing annually the minimum wage by 15,6%, plus CPI inflation, until reaching by the end of his term a total of P$171 per day plus CPI inflation.[47] Mexico's minimum wage is multiplied by 30 days to include Saturdays and Sundays, regardless of whether the month has 28, 29, 30 or 31 days. So the plan's goal is to reach a monthly remuneration of P$5.130 (171 x 30) plus CPI inflation. The plan does not explain the rationale behind the specific 15,6% plus CPI inflation criteria, but it is clearly a rather meaningful change vis-à-vis the deliberate wage-containment policy of the last 36 years. There is a clear inconsistency, however. If we apply the 15,6% increase for the 2019-2024 period, the daily minimum wage would reach the cost of P$182,41by the start of 2023, one year before the end of his term. If we continue, the daily minimum wage for 2024 would amount to P$210,86, equivalent to a monthly remuneration of P$6.325,92 instead of the daily amount of P$171, equivalent to a monthly remuneration of P$5.130 monthly, stated in the plan. The former is an amount 23,3% higher than the daily P$171. Thus, there is a clear inconsistency lacking any explanation to justify it in the plan. Moreover, as stated in the plan, this is the amount plus CPI inflation. CPI inflation averaged 4,2% between 2001 and 2018. To be conservative, we would apply a 4,5% average inflation for the 2019-2024 period. Thus, the correct projection of the 15,6% plus CPI inflation criteria (equal to a total of 20,1%), would bring the minimum wage to a total of P$265,16 by the end of his term, equivalent to a monthly minimum wage of P$7.954,80.

This approach is clearly a positive step but such inconsistency makes one doubt about how serious is the plan to its commitment to achieve a meaningful recovery of the minimum wage in real terms. What is clear, however, is that the plan does not pursue to go beyond an economic policy based on a presidential decree. There is no mention whatsoever of any intention to make such policy a new law. This is quite important, nevertheless, because there is a precedent in the case of Brazil, during the Lula and Rousseff governments, which enacted a law to recover Brazil's minimum wage in real terms. At the end of 2009, the Brazilian State made the decision to redefine the future of its wage policy by clearly establishing a commitment to recover the real value of its minimum wage to at least the value before its economic recession at the start of the century. Beginning in 2010 a plan for the annual increase of the minimum wage –described by the government as the "minimum wage appreciation policy"– is put in place.[48] Brazil's wage policy was redefined to annually raise the real minimum wage above inflation. The plan was scheduled to continue for fourteen years until 2023 by following the simple formula of increasing the wage rate by adding the rate of GDP growth for the year two years prior to the inflation rate of the previous year. The specific formula used by Brazil is the sum of the national consumer price index (NCPI) plus the variation of the GDP recorded for the year two years prior, if it is positive. For example, if a year's inflation is 5% and GDP grows 4%, the nominal increase will be 9% and the real growth 4%. The measure constitutes a direct action of real wage recovery, regardless of business performance, productivity, etc. Inevitably, the approach transfers wealth from capital to labour, consequently moving forward towards a living wage ethos. For the minimum wage, the combined nominal increase for the 2010-2016 period is now of 89,2%, while the NCPI's combined growth is of 56%. The result was a net increase of Brazil's minimum wage in real terms of 21,2% for the period.

Some completely optimistic assessments reckoned that Brazil could have eliminated extreme poverty and produced social indicators that are close to those of rich countries by 2016. This was the opinion expressed in 2010 by the Institute of Applied Economic Research (IPEA in Portuguese), associated with the Ministry of Strategic Affairs of Brazil's presidential office. The institute argued that if Brazil succeeded in keeping the pace of performance achieved between

[47] ibid, page 227.

[48] Medida Provisória No 474, de 23 de dezembro de 2009: Dispõe sobre o salário mínimo a partir de 1o de janeiro de 2010 e estabelece diretrizes para a política de valorização do salário mínimo entre 2011 e 2023

2003 and 2008, the goal of reducing poverty to 4% by 2016 was realistic, as well as the reduction of inequality to a Gini index below 0,4, which would have put Brazil on the level of rich countries. This assessment was always rather optimistic. IPEA considers that a meaningful part of the progress achieved with poverty and inequality is due to the permanence of monetary stability, greater economic expansion, the strengthening of minimum wage real growth and the expansion of social credit.[49] This law was applied under the Lula da Silva and Rousseff governments. Unfortunately, the Temer's government was able to get Brazil's Congress to pass a new law (PEC 55), an extremely unpopular law designed to cut inflation by establishing a recessive public spending ceiling for twenty years. A United Nations Special Rapporteur regarded the constitutional PEC 55 reform as a "radical" measure that will severely impact poor Brazilians and could constitute a violation of Brazil's international obligations.[50] This may also stand in violation of Brazil's obligations under international human rights law, as confirmed by recent warnings from the Inter-American Commission on Human Rights.[51] The result for wages is that minimum wages have been adjusted in 2017 and 2018 to even less than the official inflation rate of the previous year, and all real wages have been deliberately put on a losing trend.[52]

The Brazilian experience shows that not even a commitment supported by the appropriate legislation guarantees that a wage appreciation policy that clearly transfers share of income from capital to labour will remain in future governments. Yet, making it a law improves the odds that it will remain in place. In Brazil's case, a deep political crisis ensued as a reaction of the most conservative forces against the loss of their historical oligarchic privileges.[53] As a result, and after a judicial war to block Lula Da Silva from running for office, Brazil now has Bolsonaro in power; a far right, quasi fascist, pro-military, interventionist, ultra neoliberal, authoritarian and racist person who sees in Trump his alter ego.[54]

We do not think this could be the case in Mexico, where the citizenry is one of the most socially-conscious societies about the predatory and exploitative nature of the combination of neoliberal economics and sheer corruption at all levels. After two blatantly fraudulent elections in 2006 and 2012, the people were so fed up that more than 50% voted for López Obrador, an event never seen in any previous election in this country, despite the renewed efforts to still the election. Controlling both the lower and upper houses in Congress provides so much power to the president's party coalition, that they can pass labour legislation with relative ease despite the opposition of conservative parties, as long as there is the political will to do so. There is no sign of such will for the recovery of wages.

Projecting the new government's proposed minimum wage recovery policy

Replicating the projection prepared with Jus Semper, after López Obrador was elected and before he took office, following is a projection that seeks to illustrate what would happen to the general minimum wage if the policy described in the 2018-2024 plan is applied until making the minimum wage a true living wage in compliance with article 123 of Mexico's Constitution. The purpose of this projection is to assess the time line necessary to close the gap between nominal minimum wages and the cost of the Indispensable Basket of Goods (IBG), based on several assumptions that reflect the current situation of general wages in Mexico and the forthcoming government's new policy. Closing this gap would make the minimum wage a living wage for the first time in history, but it will take at least nearly three six-year terms to reach such goal. Because we could not find a more recent benchmark, we use the price of P$16.444,76

[49] Mariana Sallowicz: Brasil pode zerar miséria e se igualar a países ricos em 2016, diz Ipea, FolhaOnline, 12 January 2010

[50] Brazil Govt's PEC 55 'Historic Error' Against Poor: UN, telesure, 9 December 2016

[51] Brazil Social Rights Under Siege: Center for Economic and Social Rights: http://www.cesr.org/downloads/PEC55_joint_analysis_eng.pdf (searched on September 2018.

[52] The Jus Semper Global Alliance: Brazil's Wage Gap Charts: Wage rates for all employed in manufacturing — 2018 Report: Wage gap charts for Brazil vis-à-vis selected developed and "emerging" economies, with available wage and PPP data (1996-2016), September, 2018, page 11.

[53] Anne Vigna: Brazil goes back to an oligarch past, Briefs on Corporate Social Responsibility, The Jus Semper Global Alliance, November 2018.

[54] Javier López: Electoral Authoritarianism- Elective Dictatorship , Commentaries on true Democracy and Capitalism, The Jus Semper Global Alliance, December 2018.

estimated for the IBG assessed in 2014 by Universidad Iberoamericana. We chose this basket as opposed to the baskets designed by the Mexican Government's INEGI, CONEVAL and COPLAMAR, among others. The UIA basket defines a nutritional intake that seeks to achieve the right balance between calories and proteins to provide a dignified, diverse and healthy diet. Furthermore, in contrast with the aforementioned baskets, the UIA basket includes the items needed to prepare the meals for the household, such as oil, gas, etc, making it far more comprehensive. Lastly, the IBG includes a non-nutritional basket in order to comply with the right to enjoy the basic goods and services necessary in the daily life of a household to enjoy a dignified standard of living and thus, it is directly linked to the minimum wage, as a living wage. In contrast, as previously explained, the other baskets may also include a non-nutritional basket, but have been designed to assess inflation and various poverty lines. In sync with the Constitution, a minimum wage must be enough to provide a dignified standard of living to a Mexican household, which currently is composed of four members. The UIA's IBG is designed to determine the real value required by one minimum wage to provide a dignified quality of life for the entire household.

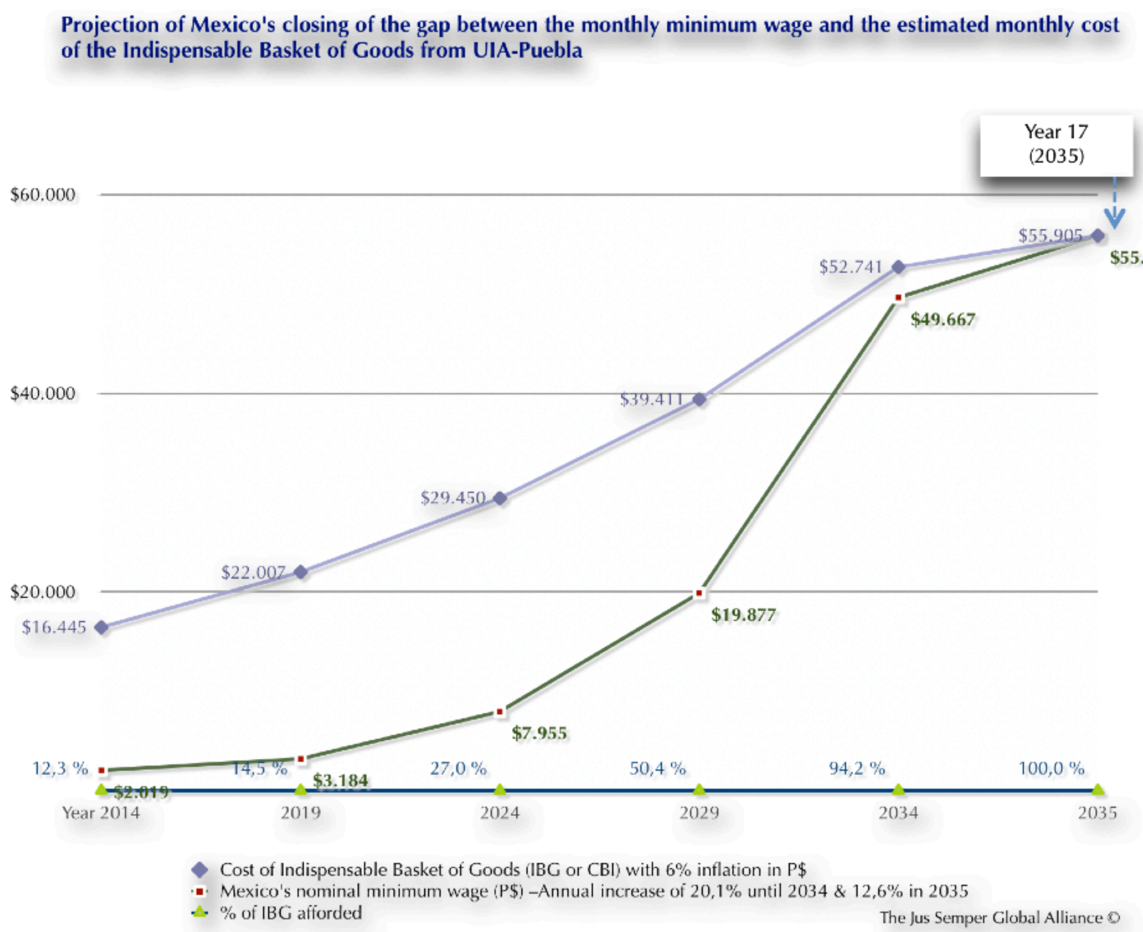
Criteria used in the projection:

- ➡ The benchmark is 2014 and the projection starts in 2015, incorporating the official minimum wage rates for 2015-2018 and an arbitrary inflation for the IBG.
- ➡ The general minimum wage for 2019 is determined by adding to the official 2018 minimum wage a 15,6% annual increment, plus inflation, as planned in the new government's "Proyecto de Nación 2018-2024".
- ➡ CPI inflation is arbitrarily estimated at an average of 4,5% annually for the entire projection (average Mexican Consumer Price Index (CPI) was 4,2% between 2001 and 2017).
- ➡ The price of UIA's IBG is estimated to grow at an average inflation rate of 6% annually based on previous measurements. Typically, the prices of these baskets consistently increase substantially more than the CPI for the entire economy. For example, a basket of 100 items, mostly food items, at its lowest retail price increased 5,8% in 2016,[55], whereas INEGI's CPI inflation rate was only 2,8%.[56] The ratio of increase of this specific basket of goods more than doubles the increase of the CPI. However, we chose a conservative increase of only 43% against the 2001-2017 average CPI for Mexico of 4,2% for the last sixteen years (4,2% to 6%). Nonetheless, since the arbitrary CPI applied in the projection is 4,5% and the arbitrary average increase of the IBG is 6%, the incremental gap in prices between these two metrics is only a conservative 33%. Moreover, the UIA has not yet updated the price of its 2014 IBG so that we can compare apples with apples. Evidently, if the IBG basket increases at a higher rate, it will take more years to close the gap between the IBG and the minimum wage.
- ➡ The benchmarks –and starting point– used in this projection are an IBG monthly price of P$16,444,76 and the monthly minimum wage of P$2.018,70 (P$67,29 daily) for 2014.
- ➡ For the years 2015, 2016, 2017 and 2018, we apply the official daily minimum wage rates of P$70,10; P$73,04; P$80,04 and P$88,36 respectively. For the IBG we apply an average 6% annual increment since 2015.
- ➡ In line with the new government's policy, beginning in 2019, the minimum wage is increased annually by combining 15,6% plus an average of 4,5% to account for inflation, for a total average annual increase of 20,1%.
- ➡ It is assumed, based on the previous policy, that professional minimum wages —always higher than the general wage rate— would be increased at exactly the same rate as the general minimum wage of 20,1%.
- ➡ An optimistic assumption is made that after the López Obrador six-year term, subsequent governments will continue to apply the same minimum wage recovery policy until it entirely closes the gap between the cost of the IBG and the minimum wage in nominal and real terms.

[55] EL INPC: Canasta básica mexicana 2018.

[56] INEGI: COMUNICADO DE PRENSA NÚM. 391/18 23 DE AGOSTO DE 2018 PÁGINA ⅓

Chart II: Projection to close the gap between the general minimum wage and the IBG, based on the Mexican government's minimum wage recovery plan, as proposed during the electoral campaign



Results of the seventeen-year projection:

- Closing the wage rate gap with the IBG would cover the 2019 to 2035 span of time for a total of 17 years.
- Chart II shows the behaviour of the IBG and the minimum wage over a seventeen-year period, starting in 2019, showing that it will take until year 2035 to close the gap between the minimum wage and the IBG, for a total of seventeen years (2019-2035). We do not count the 2015-2018 period, because the minimum wage rates have already been officially implemented for this period.
- Nominal wage rates in Mexico were increased an average of 20,1% (15,6% + 4,5%) annually until 2034, assuming a 4,5% inflation rate. For 2035, the minimum wage needed to increase only a total of 12,55% to reach the same level as the IBG of P$55,905. This would constitute a 100% equalisation between UIA's IBG and the general minimum wage. A nominal average increase of 6% would be required thereafter to neutralise the assumed average inflation of 6% for the IBG.
- At the end of the López Obrador government, the equalisation between the general minimum wage and the IBG, to close the wage gap, has improved from 12,9% in 2018 to 27,0% in 2024.

- ➡ This projection at no time pretends to forecast what would be the inflationary indices or the rates of minimum wage increases that will occur in Mexico in the future. For this projection, the average behaviour of these indicators has been established in a discretionary manner –based on the new government's planned minimum wage appreciation policy– with the only purpose of projecting the time frame required under these assumptions to illustrate the closing of the gap between the minimum wage and the IBG, using reasonable assumptions. Based on the assessment of the minimum wage policy of the new government, the probability that this projection materialises under the López Obrador six-year term was considered high, unless he would recant on his campaign promise that he specifically put in writing in his document "Nation's Project 2018-2024".
- ➡ The probability that the same policy will continue in subsequent governments is strictly contingent on two factors: 1) that the minimum wage recovery policy works and diminishes the gap meaningfully during the 2018-2024 period, keeping inflation successfully in check, and 2) that subsequent governments pursue the materialisation of the same political economy philosophy. If subsequent governments, for whatever reason, pursue supply-side, predatory neoliberal policies, as has happened for the last 36 years, the probability that the real value of the minimum wage and wages in general drops significantly is a foregone conclusion.

Actual minimum wage policy after the new government took office

Unfortunately, the new government did not fulfil its commitment to increase the minimum wage as planned in its Nation's Project. During the large interim period between his electoral victory and 1st December, when the new government took office, there were several signs indicating that the minimum wage policy would be diluted to accommodate the interests of the business community's trade unions. There were news' notes where specific business organisations and other influencers suggested different rate increases to the minimum wage, all bellow what the plan set as its goal. If we apply the formula outlined in the plan, the new general minimum wage should have increased 15,6% plus 5% for the CPI, for a combined total of 20,6%. This should have increased it nominally from P$88,36 to P$106,56. Instead, the new government applied a MIR amount of P$9,43, equivalent to raising it by only 10,67%, for a total of P$97,79, plus 5% added to this amount to account for inflation, for a total of P$102,68 or a total increase of 16,21% or 4,39% less percentage points than its campaign commitment. Prior to this decision, influencers such as Gustavo de Hoyos Walther, President of COPARMEX, the powerful National Employers Confederation, suggested as early as ten days after the election an increase of 11,1% or P$98,15, barely more than half what the plan intended.[57] It became clear that there were closed negotiations with the business community and López Obrador. By October, two months before the new general minimum wage was announced by the new government, de Hoyos Walther agreed with the government's plan to gradually close the gap, but not with the IBG benchmark for the living wage, but with CONEVAl's poverty line. Thus, for 2019, he acknowledged being in agreement with a nominal increase of P$102.[58] The following month, Roberto Campa, Secretary of Labour, "trusted", two weeks before the end of his term, that the minimum wage would reach P$100 for 2019.[59] Evidently, there was already an agreement between the major business organisations and the political class to increase the minimum wage to the P$102 level for 2019. Indeed, a press release by the new team at the Ministry of Labour emphasised the fact that the new minimum wage is the result of the new policy advanced by the new government to gradually and responsibly recover the purchasing power of the working class. It boasts that *the agreement*

> *the new government did not fulfil its commitment to increase the minimum wage as planned in its Nation's Alternative Project*

[57] Aristegui Noticias: Sector patronal y equipo de AMLO abordarán alza del salario mínimo; proponen que pase de 88.36 a 98.15 pesos, 11 July 2018.

[58] Jesús Estrada: Coparmex pide aumento paulatino a salarios mínimos, 14 October 2018.

[59] Silvia Chávez: Campa prevé que salario mínimo alcance 100 pesos diarios en 2019, La Jornada, 22 November 2018.

reached by CONASAMI (Minimum Wage National Commission), unanimously, is an unprecedented fact that allows to settle a historic debt with low-income workers as it encourages the domestic market and will allow to tackle the informal economy.[60]

López Obrador immediately made sure in his daily press conferences that the minimum wage increase was perceived as a radical change of policy, literally bragging about the 16% increase as something not seen in over three decades, which is relatively true at first sight.[61] Furthermore, the new wage policy included a truly unprecedented increase of 100 percent in all the municipalities of the six states that are located on the Mexico-U.S. border. This raises the daily general minimum wage to P$176,72 for 42 municipalities as published in the Federation's Official Gazette.[62] These municipalities account for 6,5% of the total population of Mexico, according to INEGI's 2015 inter census count.[63] The rationale for this sharp increase is to make these border municipalities a special free zone with the goal of closing the gap with the municipalities/counties on the U.S. side of the border. This rationale is clearly presented in his Nation's Project 2018-2024.[64] Once he took office, he held a specific conference about this programme. Prices for goods and services, including gasolines and public utilities are not competitive and are far more expensive in Mexico. The Free Zone programme includes tax incentives for the business sector, by cutting to 20 percent its income tax. The programme also cuts by 50 percent the Value Added Tax (VAT), to 8 percent, to make it equivalent to the sales tax on the U.S. side; increases by 100 percent the general minimum wage and equalises energy prices with prices on the U.S. side.[65]

Upon first look, the general minimum wage increase of 16,2% nation-wide and one hundred percent appears impressive and indeed it seams a radical change from the policies of the previous thirty-six years. Nevertheless, after a close assessment the real picture looks clearly less impressive, and what is more, it has specific signs that indicate that things will not change much and will remain just a little less exploitative than in all previous governments. There are a number of specific aspects that support our assessment:

1. **The general minimum wage increase is 28% lower than what the new government offered during its campaign.** Instead of 15,6% plus inflation, it is only 11,2% (or 28,2% less) plus inflation (5%). This may not seam dramatically less, but it is substantially less and, what is more, if the government keeps the same trend at 11,25% plus inflation, it will take several more years than the seventeen years that we estimated in the previous projection in chart II. So it will take more than three six-year term administrations to close the gap, greatly reducing the probability that the minimum wage recovery plan will be followed through by subsequent governments until it makes the general minimum wage a living wage in line with article 123 of the Constitution. In the public's eye it still looks impressive,

[60] Secretaría del Trabajo y Previsión Social: Nueva Política de Salarios Mínimos — 26/12/18.

[61] Ángeles Cruz y Néstor Jiménez: Nueva política salarial: sube el mínimo a $102.68 a partir de enero, La Jornada, 18 December 2018.

[62] DOF: 26/12/2018 — RESOLUCIÓN del H. Consejo de Representantes de la Comisión Nacional de los Salarios Mínimos que fija los salarios mínimos general y profesionales vigentes a partir del 1 January 2019.

[63] INEGI: Banco de Indicadores: Población total en viviendas particulares habitadas (Número de personas) , 2015, consulted on 23 January 2019 at http://www.beta.inegi.org.mx/app/indicadores/?t=0200001000200000

[64] Proyecto de Nación 2018-2024, 31 January 2018, pages 170-172.

[65] AMLO: Zona Libre, 6 January 2019: https://lopezobrador.org.mx/temas/zona-libre consulted on 23 January 2019.

because few people have taken the time to read the government's plan for 2018-2024 and look at the specific commitments López Obrador made. Consequently few people are aware about his failure to fulfil his commitment, and even if they were, few are aware of the enormous gap between the real value of the minimum wage and the cost of a basic basket of goods and services. Most are well aware that a minimum wage is far from what is necessary to afford a family's basic needs, Yet, since they do not know exactly how much more, and the kind of policy and commitment it would take to close the gap, they regard the actual increase as a very positive sign.

2. **Professional minimum wages were not only not increased but decreased in real terms.** When the new government held a special conference to announce the great breakthrough in minimum wage policy, because the 16% increase was reached by unanimous agreement between unions, the major business confederations and the government, it made sure to keep silent about the fact that the professional minimum wage for the previously mentioned 59 qualified trades and specific activities did not receive any real increase. All 59 activities were strictly increased by 5%, the CPI inflation rate, which means that they actually lost value, because the inflation rates of the basic basket of goods and services are always higher than the CPI for the entire economy. During the interim period between the election and 1st December, López Obrador repeatedly committed to making sure that wages would not be increased below inflation. However, this is clearly a break of his commitment. In order to, at the very least, keep the actual value of wages in real terms, the government must increase it at the same rate as a true IBG for a living wage and not in the context of a poverty line, which uses as its reference INEGI's CPI for the entire economy. Indeed, at the end, it applied the CPI for the entire economy, which is estimated at 5%: *In order to update Poverty Lines for Income and Lines of Extreme Poverty by Income on a monthly basis, CONEVAL takes into account changes in the value of food and non-food baskets using the National Consumer Price Index (NCPI) calculated and published by the INEGI.*[66] It is very doubtful that the cost of an IBG for the living wage —or any basket for that matter— would increase at the same rate than the inflation for all the goods and services for the entire economy.

3. **Professional minimum wages have not been increased in 2017, 2018 and 2019 in line with the "Independent Recovery Amount" or MIR of the preceding administration.** The MIR is the political arbitrary amount (not percent) added to the inflation rate increase applied to raise the general minimum wage above inflation since 2017. This is quite discouraging given that, as previously explained, barely 15% of all employed earn enough to buy a living-wage basket of goods and services. The program is clearly deceitful, for it is portrayed as a radical change in wage policy, when it is only a continuation of the policy carried out in 2017 and 2018 by the preceding government, of applying the arbitrary amount of the MIR to the increase applied to offset GDP inflation. The MIR is strictly a political decision. It is not an economic decision designed to change economic policy on wages to increase labour's share of income. Furthermore, the Ministry of Labour stated that the increase to the general minimum wage must not be used as reference to determine the wages for the remainder of all salaried people: *In its definition "the workers and business sectors reiterate that the increase in the general minimum wage, both in what corresponds to the Independent Recovery Amount and the percentage of increase in wage fixing, should not be the reference to define the increases of the other salaried workers of the country and that negotiations of contractual wages must be carried out in the greater freedom of the parties, within the specific conditions of each company, in such a way that the increases granted to the minimum wages in the present wage setting are not ceiling or floor for determining the wages of Mexicans.*[67] This contradicts economic logic, for any increase to the minimum wage is used as a reference and benchmark to determine all other wages in any economy. In Mexico there are many union contracts in which

[66] https://www.coneval.org.mx/Medicion/MP/Paginas/Lineas-de-bienestar-y-canasta-basica.aspx Consulted on 23 January 2019.

[67] Secretaría de Trabajo y Previsión Social: Nueva Política de Salarios Mínimos: https://www.gob.mx/stps/articulos/nueva-politica-de-salarios-minimos-187185?idiom=es Consulted on 23/01/19.

wages are indexed to the minimum wage. In this way, if the minimum wage increases, the wages in the contract increase at the same rate. This is quite common in the maquiladoras and assembly plants located at the Mexico-U.S. border. Otherwise, if other wages are increased at significantly lower rates than the minimum wage, the latter may eventually reach the same level as the wages paid to people performing work that requires skills that are usually compensated at higher rates and surpass them.

4. **Limiting the increase to the general minimum wage restricts the benefit to only one-sixth of salaried workers.** Indeed, the Ministry of Labour issued a statement where it makes it clear that the goal of the government is to recover the general minimum wage but not the professional minimum wages, because the goal is to benefit those who are at the bottom of the income scale. Quoting INEGI's third quarter 2018 survey, it wrongly claims that this plan benefits only 5,7% of all salaried people, despite the fact that historically about one-sixth of all salaried people have earned one minimum wage or less; and in its last survey, INEGI reports that, indeed, 15,8% of all salaried people earned up to one minimum wage.[68] Consequently, the wage recovery programme benefits only one of every six salaried people (plus the portion who live in the border municipalities and earn a professional minimum wage). This is a very unambitious policy that cannot be construed as a radical change in wage policy.

5. **The general minimum wage will catch up with professional minimum wages if wage policy is not amended.** Given that professional wages were only increased 5% and the general minimum wage increased 16,2%, the latter will eventually catch up with wages that are paid to people who perform work requiring more specific and higher qualified skills. Julio Boltvinik immediately identified the problem in his weekly column, when he argued that with the new policy, the general minimum wage may eventually surpass the rates for professional minimum wages, and, thus, wage policy would not seek to reduce poverty, because it seems that the intention is that —after the 16% increase— minimum wages will only keep the current value, which still leaves them at truly misery wage levels.[69] Even if the general minimum wage policy continues to increase its value in real terms in subsequent years, what will the government do with the 59 professional minimum wages? Would they be eliminated and thus have a single minimum wage for all activities? Indeed, using as an example the professional minimum wage number 1 for construction workers, the 2016 rate of P$106,49 was 45,8% higher than the general minimum wage of P$73,04. However, after applying the MIR to the general minimum wage in 2017, 2018 and 2019, this professional minimum wage rate at P$120,70 is now only 17,5% higher than the general minimum wage. If the MIR is sustained, the general minimum wage will surpass the wage rate for most professional minimum wage rates in two or three years. Thus, if the government plans to keep both the general and the professional minimum wage rates, the current policy does not make sense. If it plans to eliminate the latter and have only one minimum wage for all activities, the approach is not sincere and transparent.[70]

6. **The professional minimum wages were not increased by 100% as the general minimum wage was in the free zone municipalities in the Mexico-U.S. border.** Another inconsistency that stands out is the case of professional minimum wages. The general minimum wage increased 100% to P$176,72 in the free zone. However, professional minimum wages were increased only to be at par with the border area general wage rate of P$176,72. This means that professional minimum wage rates were increased from within a range of 41,3% for activity 55 (social work technician) to 86,5% for activity 32 (poultry farm handler). There was one major exception, however. The highest

[68] INEGI (2018), Encuesta Nacional de Ocupación y Empleo *(ENOE)*, tercer trimestre de 2018, Aguascalientes, INEGI.

[69] Julio Boltvinik, Economía Moral: 2018, elecciones y aniversarios // Error en entrega anterior // Política salarial no buscaría abatir pobreza, La Jornada, 28 December 2018.

[70] STPS/CONASAMI: Tabla de Salarios Mínimos Generales y Profesionales por Áreas Geográficas. Salarios Mínimos Generales y Profesionales por áreas geográficas 1992 - 2019: https://www.gob.mx/conasami/documentos/tabla-de-salarios-minimos-generales-y-profesionales-por-areas-geograficas Consulted on 22 January 2019.

wage rates of the 59 activities belong to activities 47 and 48, for daily printed press reporters and daily printed press graphic reporters. Given that these rates are substantially higher than the new general and professional minimum wage rates at the border of P$176,72, they were increased by only 5% to the rate of P$248,09, to offset CPI inflation. This is a strong indication that the government is likely moving to eliminate professional minimum wage rates and have a single minimum wage. If, in the subsequent two or three years, the professional wage rates continue to be increased only in line with the CPI inflation rate, and the general minimum wage continues to be increased by applying an arbitrary MIR plus the inflation rate, the former are surely bound to be eliminated, for it would not make sense to have a general minimum wage rate that surpasses the rates of the 59 professional wage rates. If, on the other hand, the general minimum wage is only increased to offset the CPI inflation rate, it would mean that the government has recanted from its commitment to recover the minimum wage to, at the very least, be above CONEVAL's poverty line.[71]

7. **López Obrador recants from his commitment to recover the real value of wages deliberately plundered in the past 36 years.** There is a very ominous indication that this may be the direction that the new government has already taken. In the first week of 2019, López Obrador returned to his previous argument of conditioning the increase of wages to the increase of productivity; the same argument he used in his previous campaigns and the customary argument used by the staunch apologists of neoliberalism worldwide and in Mexico, since the Salinas' government. He startlingly declared that *It is necessary to raise the wages of workers, but this will not be done by decree, but with productivity and growth, in such a way that instead of 3 percent we can grow to 6 percent.*[72]

Projecting the new government's proposed minimum wage recovery policy as actually applied in 2019

Based on this evidence, the outlook does not look enticing. It becomes clear that López Obrador is folding to the pressures of the oligarchic class. Almost immediately after he was elected, he had numerous meetings with the top brass of the business elite and, subsequently, he put well-known businessmen in key positions, starting with Alfonso Romo, as Chief of Staff. Romo is a billionaire closely linked to the Monterrey industrial elite. He is involved in banking, agribusiness, biotechnology, including GMOs later sold to Monsanto, and private education. What provides even more evidence is López Obrador's decision to create his Advisory Council of members from the business elite, which includes several names on the list of the wealthiest Mexicans, such as Hank Romo and Salinas Pliego.[73] This is quite startling considering that he customarily, since he started campaigning for the presidency in 2004, accused many of them and the entire class of ravaging the country. In defending his change of course, he questioned his critics in the press by arguing that it is his job as President to listen to the viewpoints of the business class.[74] However, as could be expected, he has not shown any intention of creating another Advisory Council, this time integrated by plain citizens representing all the echelons of Mexico's social fabric. In fact, he has reluctantly met or sent a representative to meet with a few groups of citizens with specific demands, such as the people of Atenco, a municipality ravaged by previous governments to build a new airport, as well as with the still open and major case of the families of the 43 students of the Ayotzinapa Rural Teachers' College, who disappeared and later on were presumably murdered by Guerrero state police in collusion with the army, and subsequently shielded by Peña Nieto and his Attorney General's office.

---

[71] STPS/CONASAMI: Tabla de Salarios Mínimos Generales y Profesionales por Áreas Geográficas. Salarios Mínimos Generales y Profesionales por áreas geográficas 1992 - 2019: https://www.gob.mx/conasami/documentos/tabla-de-salarios-minimos-generales-y-profesionales-por-areas-geograficas Consulted on 22 January 2019.

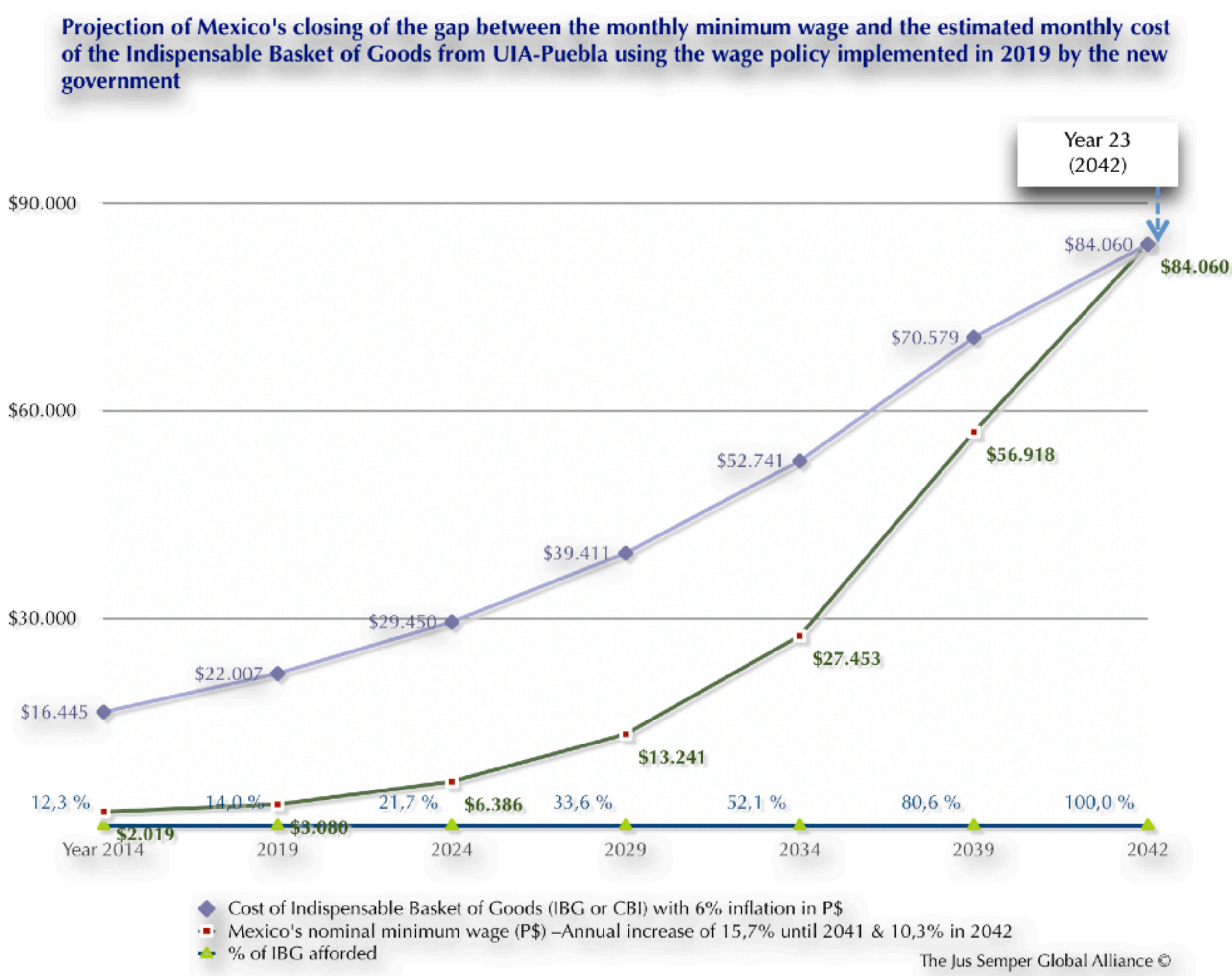
[72] Aristegui Noticias: Es necesario elevar salarios, pero no por decreto, sino con más crecimiento: AMLO, 5 January 2019.

[73] Arturo Rodríguez García: El nuevo gobierno, con alta presencia empresarial, Proceso, 2 December 2018.

[74] López Obrador visita TV Azteca; defiende consejo de empresarios, Proceso, 22 November 2018.

Despite growing evidence that López Obrador has recanted from his pledge to recover real wages for the entire working class, following is a new projection illustrating what would happen under the assumption that we are wrong and that he keeps increasing the general minimum wage by a MIR amount equivalent to the same rate of 11,2% applied for 2019, plus inflation until the end of his government in 2024. This way, we can also compare results between his original plan as described in his Nation's Project 2018-2024 and the actual criteria applied for 2019. We again use as a benchmark the price of P$16.444,76 estimated for the IBG assessed in 2014 by Universidad Iberoamericana plus a 6% inflation annual increase to the basket. We then replicate the same projection, only changing from an annual increase of 15,6% plus inflation to 11,2% plus inflation. We replicate the exact same criteria used for chart II on page 14, which applies an average of 4,5% annual CPI inflation rate for the general minimum wage. Thus, the annual nominal general minimum wage increase is of 15,7%, whilst the annual increase of the IBG is of 6% for the 2020 - 2024 period. For 2019, we simply applied the 11,2% plus 5% for inflation, for a 16,2% already applied by the government.

Chart III: Projection to close the gap between the general minimum wage and the IBG, based on Mexico's new government's minimum wage increase applied for 2019



Results of the twenty-three-year projection:

- ➡ Closing the wage rate gap with the IBG would cover the 2020 to 2042 span of time for a total of 23 years.
- ➡ Chart III shows the behaviour of the IBG and the minimum wage over a twenty-three-year period, starting in 2020, showing that it will take until year 2042 to close the gap between the minimum wage and the IBG, for a total of twenty-three-years (2020-2042). We do not count the 2015-2019 period, because the minimum wage rates have already been officially implemented for this period.
- ➡ Nominal wage rates in Mexico were increased an average of 15,7% (11,2% + 4,5%) annually until 2041, assuming a 4,5% inflation rate. For 2042, the minimum wage needed to increase only a total of 10,32% to reach the same level as the IBG of P$84,060. This would constitute a 100% equalisation between UIA's IBG and the minimum wage. A nominal average increase of 6% would be required thereafter to neutralise the assumed average inflation of 6% for the IBG.
- ➡ At the end of the López Obrador government, the equalisation between the general minimum wage and the IBG, to close the wage gap, would have improved from 14,2% in 2019 to 21,7% in 2024, instead of the 27% achieved if he had fully complied with what he originally planned.
- ➡ Compared with the minimum wage appreciation policy proposed in the new government's Nation's Project 2018-2024, this projection would take seven more years —2042 instead of 2035— to equalise the minimum wage with the IBG, equivalent to the income necessary to earn a living wage, because the actual criteria applied for 2019 is less ambitious than what was actually stated in the aforementioned plan.
- ➡ This projection at no time pretends to forecast what would be the inflationary indices or the rates of minimum wage increases that will occur in Mexico in the future. For this projection, the average behaviour of these indicators has been established in a discretionary manner –based on the new government's minimum wage appreciation policy as actually applied in 2019– with the only purpose of projecting the time frame required under these assumptions to illustrate the closing of the gap between the general minimum wage and the IBG, using reasonable assumptions. Based on what was actually done for 2019 by the new government, and López Obrador's return to linking the increase of wages in real terms to a concurrent increase in productivity, the probability that the assumptions of this projection materialise under the López Obrador six-year term is low. However, given that he is prone to ambiguity and constantly contradicting previous statements, we hope that at the very least he will continue increasing the general minimum wage in real terms for the remainder of his term.
- ➡ The probability that the same policy will continue in subsequent governments is strictly contingent on two factors: 1) that the minimum wage recovery policy works and diminishes the gap meaningfully during the 2018-2024 period, keeping inflation successfully in check, and 2) that subsequent elected governments pursue to materialise the same political economy philosophy. If subsequent governments, for whatever reason, pursue supply-side, predatory neoliberal policies, as has happened for the last 36 years, the probability that the real value of the minimum wage and wages in general drops significantly is a foregone conclusion.

Conclusions

Our assessment cannot be optimistic based on the recent actions taken by the new government:

- **The campaign promise on wages was not fulfilled.** The real wage increase was substantially smaller than what was offered during the electoral campaign, which would take about seven more years to make the general minimum wage a true living wage in compliance with the constitution, if the assumptions for inflation and wage increases in our projection are close to what actually takes place. Such scenario would require more than one additional six-year term applying the same minimum wage policy.

- **There is no political will to make a minimum wage recovering policy a firm commitment by passing specific legislation for that end.** Since the new government took office, there has been no indication whatsoever of any intention to make such policy a new law, which would show a firm commitment to the most fundamental issue of the public matter to truly change course and radically from the last four decades of supply-side neoliberal economics of plundering. This would also increase the probability that future governments would sustain the same policy.

- **The general wage increase benefits only one-sixth of salaried people.** The real wage increase for 2019 was strictly limited to the general minimum wage. Thus, except for the border area, the 59 minimum wage rates for professional activities were relegated to an increase to offset CPI inflation. Since such inflation is smaller than the inflation for the IBG, these wages would continue to erode in real terms, as was the case for the last 36 years, and would be surpassed by the general minimum wage rate, if it continues to be increased in real terms. Only if they are superseded by the general minimum wage and this wage continues to be increased above the inflation rate for the IBG, wages would be able to recover value.

- **It would be a great mistake to eliminate minimum wage rates for the 59 professional activities.** These activities require greater physical and intellectual capacities and skills than those required for basic activities of the general minimum wage. Assigning the same criteria for monetary compensation to professional activities would not only be greatly unfair and further depress their purchasing power and quality of life, but they would have a profound and negative multiplying effect in many other activities that require greater capacities in the upper echelons of skilled work, particularly in the manufacturing sector, which receives the highest labour compensations. Consequently, the new government must amend the decision made in 2019, to only increase these nominal rates enough to offset the CPI index. Assuming that the general minimum wage continues to be increased annually in real terms —applying a MIR plus CPI inflation— the CONASAMI must first reassess the market value of these activities, to make sure that they are compensated adequately, and then increase the wage rates in real terms at the same rate as the general minimum wage rate is increased.

- **López Obrador recanted on his commitment to recover real wages and returned to the neoliberal dogma.** The fact that López Obrador very recently returned to conditioning any increase of wages to a concurrent increase in productivity sets a very ominous precedent that can only be construed as a recantation of his view on the need to address the fact that wages have lost 75% of their purchasing power as a result of a deliberate policy of wage pauperisation. Making such a statement is a direct contradiction with a policy to recover the value of wages as a matter of social justice. Keeping the status quo where Mexico's labour share of income and minimum wages is one of the lowest in the world and in the region, would also be an indication of the narrow mindedness of the new government's economic policy, given that Mexico's GDP has grown at very low rates for decades as a result, in full adherence with neoliberal dogma, of a deliberate crush of any attempt to support the generation of aggregate demand.

The fact that López Obrador very recently returned to conditioning any increase of wages to a concurrent increase in productivity sets a very ominous precedent that can only be construed as a recantation of his view on the need to address the fact that wages have lost 75% of their purchasing power as a result of a deliberate policy of wage pauperisation.

- **López Obrador has established a strong partnership with the historic predators of real wages.** The strong personal partnership of López Obrador with the business oligarchy, his old nemesis, can only be construed as an alliance to support the very group that has fervently worked with previous governments to deliberately pauperise wages for the last thirty-six years. It is unimaginable that such alliance would be supportive of a meaningful transfer of wealth from capital to labour. This is just the antithesis of its DNA, an oxymoron. Thus, the 2019 increase is likely a propaganda stint "in pursuit of a living wage policy".

- **Manufacturing wages will remain at their lowest level in the manufacturing sector.** From a global economy perspective, if professional minimum wages remain losing value, higher skilled wages in the manufacturing sector integrated with the global economy, will remain at the same level they have been since the 1990s after they were deliberately pauperised to become the main driver of foreign investment with NAFTA. Using the latest available data, real hourly wage rates in the manufacturing sector in Mexico have barely averaged twenty percent of what they should be in purchasing parity terms for doing the same or equivalent work for global corporations.[75] This would be completely shameful and a clear continuation of neoliberal economic policy anchored on the offering of a labour pool at modern-slave-work prices.

- **Unless there is radical change, Mexico will lose manufacturing share under the new NAFTA.** This is a particularly important issue, in light of the new NAFTA 2.0, which incorporated an agreement to increase the North American content. The text includes stronger rules of origin in the automotive sector, which covers a significant portion of NAFTA trade. First, the total share of North American value is raised to 75 percent from 62,5 percent for automobiles and parts. Additionally, there is a new requirement that at least 40 percent of the value of autos and 45 percent of the value of light trucks must come from workers involved in the production process that make at least $16 per hour in order for the finished vehicles to qualify for NAFTA's duty-free treatment.[76] The latest hourly rates for Mexican workers in the automotive industry, show a total hourly compensation cost of $4,68 in 2016, whereas equivalent U.S. and Canadian workers show a total hourly compensation cost of $48,97 and $34,19, respectively.[77] Since the cost of living in purchasing power parity terms for Mexico was 54 percent the U.S. cost of living, the total hourly compensation cost of Mexican workers in this sector should have been $26,44, well above the $16 requirement in the NAFTA 2.0 agreement. Consequently, unless the new government remains committed to closing both, the gap of the minimum wage with the living wage, from a domestic perspective, and the gap of manufacturing wages, for equal work of equal value, in purchasing power parity terms, from a global perspective, Mexico is doomed to remain a supplier of labour at modern-slave-work wages. This would also reduce the share of manufacturing plants in Mexico and of Mexican workers participating in NAFTA's trade in this sector. By the same token, López Obrador would be regarded, to be sure, as a president that betrayed the rhetoric that he has used throughout his vie for the presidency, to join the oligarchic class of robber barons that has plundered Mexico.

- **The general minimum wage increase appears to be a merely symbolic gesture.** López Obrador's insistence on linking wages to productivity and efficiency makes the 2019 raise of the general minimum wage to seem merely symbolic, a propaganda tactic to appear to be complying with his campaign promise, when it seems more likely to be a mockery, a simulation to change so that everything remains the same. Comparative advantages in Mexico are anchored on labour costs at bondage prices, but also on high productivity and efficiency, in terms of quality by

[75] The Jus Semper Global Alliance: Table-T5 – Living-Wage Gap and Equalisation analysis (vis-à-vis the U.S.) for all employed in the manufacturing sector in PPP for private consumption terms 1996-2016 for twelve selected economies .

[76] Global Trade Watch, Public Citizen: How the New NAFTA Text Measures Against the Essential Changes We Have Demanded to Stop NAFTA's Ongoing Damage, 5 October 2018.

[77] The Conference Board, International Labor Comparisons program, April 2018.

global standards, with ISO quality standards and world-class recognition,[78] particularly in the automotive industry.[79] If products made or assembled in Mexico weren't produced with the same efficiency and quality expected of global standards, they would simply not be exported and global corporations would close shop and abandon Mexico. In contrast, the vast majority of vehicles produced in Mexico are exported to the U.S, Canada and Europe. Less than half are sold in the domestic market.

Prognosis

As a result, we can only have a negative prognosis. Based on the historical record of capital and labour relations in Mexico, particularly after 1982, the demeanour conveyed by López Obrador on wage policy and his concurrent and eager cultivation of a close relationship with the top brass of the business oligarchy, can only signal a partnership to protect the status quo. His rhetoric about his government representing what he calls the "Fourth Transformation" enjoys zero credence, for he has not shown any intention to change the structures of exploitation, nor has he called on the citizenry to organise to participate in the debate for a new social contract, a new constitution. That would give meaning to his reference of the 1824, 1857 and 1917 constitutions when talking about his Fourth Transformation. There are as well many other indicators, beyond wage policy that his rationale is clearly anchored on keeping the same economic structures and to cultivate a strong partnership with the robber baron elite. Hence, the most likely scenario is that the neoliberal dogma will prevail during his administration. The 2019 minimum wage increase, which, indeed, is the first increase in real terms in decades, appears to be only a subterfuge. Real wages for the entire economy appear to remain dwindling crumbs in an ethos of neoliberal populism with a kinder face, to be pursued by offering policies that mitigate the structural exploitation of labour income, by using palliatives and welfare programs, without making any structural redesign. The rhetoric about the end of the Modern Slave Ethos: *for the sake of all, the poor first,* advanced by the "progressive" wage policy of Mexico's new government, is a travesty of what it boasts to portray. Instead, his actions are a new iteration resembling change so that everything remains the same, just like Giuseppe Tomasi di Lampedusa's adage in *The Gattopardo*: *If we want things to stay as they are, things will have to change*. Yet, López Obrador still has ninety-five percent of his term to amend his policies and attempt to truly transform the country by replacing the structures of exploitation and depredation with a radical new paradigm in pursuit of the welfare of people and the planet and NOT the market. We remain in hope.

> *The rhetoric about the end of the Modern Slave Ethos: **for the sake of all, the poor first,** advanced by the "progressive" wage policy of Mexico's new government, is a travesty of what it boasts to portray*

---

[78] Álvaro J. De Regil: The Neo-Capitalist Assault, The Case of Mexico III: A New Neo-Colonisation. Essay Three of Part IV (Mexico: an Emblematic Case). The Jus Semper Alliance, February 2001.

[79] Geri Smith in Mexico City and Jonathan Wheatley: Car Power, Business Week (international edition), 3 October 2007.

Useful links:

- jussemper.org
- Mexico and living wages: the utmost epitomization of social darwinism as a systemic public policy
- South Korea's tortuous road towards a living-wage ethos
- Brazil: in perfect harmony with TLWNSI's concept
- Unequal Exchange

❖ **About Jus Semper:** The Jus Semper Global Alliance aims to contribute to achieving a sustainable ethos of social justice in the world, where all communities live in truly democratic environments that provide full enjoyment of human rights and sustainable living standards in accordance with human dignity. To accomplish this, it contributes to the liberalisation of the democratic institutions of society that have been captured by the owners of the market. With that purpose, it is devoted to research and analysis to provoke the awareness and critical thinking to generate ideas for a transformative vision to materialise the truly democratic and sustainable paradigm of People and Planet and NOT of the market.

❖ **About the author:** Álvaro de Regil Castilla is Executive Director of The Jus Semper Global Alliance, a coalition that supports living wages worldwide as a core element of sustainability, democracy, and business accountability, and a Board Member of Buen Vecino, a citizens-based initiative to support human rights for immigrants in California's Central Coast. He has published extensively on labour and human rights, true democracy and sustainability, corporate social responsibility, degrowth economics and the imaginary of a People and Planet paradigm to replace capitalism. He holds a BBS from Universidad La Salle and an MBA in marketing from the George Washington University.

❖ **Cite this paper as:** Álvaro J. De Regil: Mexico's Wages 2018 - 2024: To Change So That Everything Remains The Same – The Jus Semper Global Alliance, February 2019.