



U.S. Embassy—Mexico City

Standard of Living

Important Facts:

- In Mexico, poverty rates remain high (45.5%) and income inequality is stark (Gini Coefficient, 48.3) (CONEVAL, 2012).
- Mexico has reduced disparities in healthcare quality and access through its universal healthcare program, *Seguro Popular*.
- Mexican education spending is close to the OECD average, but education quality lags behind by OECD standards. Enrollment rates for upper secondary education are less than 70% and dropout rates are high.
- Over a third of all households in Mexico have at least one member who was victim of a crime in 2012 (INEGI, 2012).
- Security and human rights issues continue to diminish living standards and violence is estimated to cost 8 to 15% of GDP.

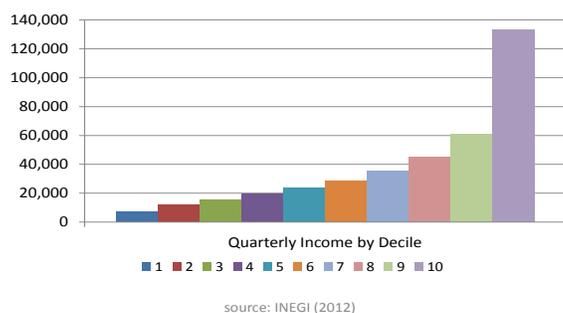
45% of Mexico's population lives in poverty.

Standard of living is measured by the degree of wealth and material comfort available to a person or community, which includes factors such as income, poverty rate, housing, income growth inequality, environment, safety, civic engagement, as well as quality and availability of employment, healthcare, and education. Lack of formal employment for Mexicans is a major driver of migration and the informal economy. Wealth is concentrated in the capital city and in the states along the U.S. border. Mexico employs a multidimensional approach to measure poverty levels, taking into consideration a number of living standard variables as well as setting a threshold, called the Economic Welfare Line. 45.5% of Mexicans do not meet the threshold, but nearly three-fourths of Mexicans lack at least one of eight basic needs as identified by CONEVAL, a Mexican social policy organization. A 2012 survey showed that 41.8 million Mexicans live on less than USD177 a month and 11.5 million live on less than USD 85 a month. Meanwhile, the top decile of Mexican households earns over USD 3200 a month.

In the first quarter of 2014, 2.5 million Mexicans were unemployed

According to Mexico's National Institute of Statistics and Geography (INEGI), in the first quarter of 2014, 4.8% of the economically active population was unemployed. In the same quarter, the underemployed population in the country reached 4.1 million and accounted for 8.3% of employed persons. Other sources estimate underemployment as high as 25%. Urban unemployment reached 6.38% in April 2014. The breadth and depth of the Mexican informal sector makes accurate statistics difficult to find. INEGI reports that in the first quarter of 2014, 28.7 million people, or 58.2% of the employed population, worked in the informal sector. Reports from the Mexican Institute of Social Security and the Secretariat of Labor and Social Welfare, show that average annual formal job creation over the last decade has been just over 400,000 jobs, while the job seeking population has grown by 1.2 million per year, according to the Bank of Mexico, leaving a significant job shortage in the formal sector.

Quarterly Household Income by Decile (\$MXP)



Mexico Poverty Alleviation Measures

- Mexico uses a conditional cash transfer program, called **Oportunidades**, to address poverty in rural areas
- Minimum wage is set at **MXN 67.29 (USD 5.24) per day in the capital and major cities**

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Poverty Alleviation Program: *Oportunidades*

Oportunidades, the Mexican government's largest conditional cash transfer program, aims to alleviate extreme poverty in rural areas through improved nutrition and education. The program began in 1997 and dispenses small amounts of money bimonthly to poor families with the condition that children regularly attend school and family members regularly visit clinics for preventive healthcare and counseling. *Oportunidades* also provides more than 6 million educational grants to participants to encourage higher education. Young adults graduating from *Oportunidades* tend to find themselves healthier and better educated, but still unemployed.

Minimum Wage and Inflation

Mexico's minimum wage for 2014 increased by 3.9% from the previous year to MXN67.29 per day (USD5.24) in the highest-paid zone, which includes the capital and major cities (CONASAMI). The hourly minimum wage is well below average market wages estimated at MXN26 an hour in formal jobs and MXN18 an hour in the informal sector. Meanwhile, according to Mexico's central bank, inflation rates are expected to continue around 3% through 2014.

Economic Inequality in Mexico

Mexico's Poverty: Geographic Concentration of Wealth

According to CONEVAL, Mexico's considerable wealth is not evenly distributed among its people. The southern region, especially the states of Chiapas, Oaxaca, and Guerrero, is by far the poorest area of the country. The northern states of Nuevo Leon, Baja California, and Coahuila, are among the richest states. The lack of opportunities to earn a living wage spurs migration – both internal and international – and exposes Mexico's poorest people to increased vulnerability and marginalization.

Income Disparity

The OECD reports that the average annual household net-adjusted disposable income is USD12,732 in Mexico. Distribution of income is significantly unequal. The average net adjusted disposable income of the top 20% of the population is an estimated USD32,756 a year, whereas the bottom **20%** live on an estimated USD2,570 a year ([OECD](#), 2010).

Health & Environment

Environmental health concerns include the health impacts of urban air pollution, which continue to be a concern in Mexico. Meanwhile, the OECD reports that only 78% of people in Mexico say that they are satisfied with the water quality that is available to them. Mexico has seen improvements in life expectancy and a steady decline in infant mortality rates. In 2013, Mexico's life expectancy was estimated around 78 years ([World Factbook](#)). In 2003, Mexico approved *Seguro Popular*, a public insurance scheme which assures legislated access to a comprehensive set of healthcare entitlements for poor households formerly excluded from government healthcare. According to UNDP reports, since the launch of this program, public resources for health have increased and are being distributed more fairly, while access to, and use of, healthcare services have expanded.

Education

Although education accounts for 22% of public non-capital spending (the highest share in the OECD, though well below the group's average in dollars per pupil), around 80% of that spending goes to teachers' unions to pay teacher salaries and union administration. School enrollment and completion at the primary and lower secondary education levels is nearly universal in Mexico. In June 2013, the Mexican government made lower secondary education mandatory. Primary school education is as high as 98% and lower secondary school education levels reach 88% ([World Bank](#)). On the other hand, enrollment levels at the upper secondary school level are as high as 98%, but the graduation rate is around 60%. The [OECD](#) reports that only 36% of adults aged 25-64 have completed an upper secondary school education. Education access and quality is one of the major concerns for Mexico at all levels of education.

Civic Engagement & Security

In Mexico, voter turnout in 2012 elections was at 62.8% of registered voters, which suggests public trust in the electoral process (Instituto Nacional Electoral). Differences in voter turnout vary only slightly depending on income. No reliable statistics are available regarding minority participation in government; however, CNDH, Mexico's national human rights commission, reports that indigenous people are generally the group that is most excluded from health and education services in Mexico. According to a September 2012 CNDH report, Mexican indigenous women are among the most vulnerable groups in society. Despite government actions and social programs to improve the living conditions of indigenous people, indigenous women continue to experience high levels of racism, discrimination, and violence.

The OECD reports that only 38% of Mexicans trust their political institutions, and according to INE, 49.61% of Mexicans surveyed are convinced that politicians do not care about the public interest. INEGI's March 2014 [Survey of Urban Public Security](#) reports that over 70% of the urban population view Mexico's police as ineffective in preventing and combatting crime. According to *El Financiero*, 42% of Mexicans do not trust government authorities. INEGI estimates that 92.1% of crimes go unreported. According to INEGI's 2013 National Survey on Victimization and Perception of Public Safety, 32.4% of households in Mexico have at least one member who was a victim of a crime in 2012. INE reports that insecurity has become the most significant issue for the Mexican population, where 29% believe laws are not respected. In a 2012 survey on corruption, 23% of respondents told national daily *Reforma* that they had paid a bribe in the last year, and more than 80% said they believed there was significant corruption in Mexico's government, prison system, political parties, and judiciary system. The CNDH reports that Mexican security forces have committed human rights violations in their efforts to either combat or collude with powerful organized crime groups. As of August 31, 2013 the CNDH had received 32 complaints regarding arbitrary or unlawful killings. According to INEGI, 72.3% of the population over 18 years-old perceived insecurity in their state between March and April of 2013.