

Economic Analysis

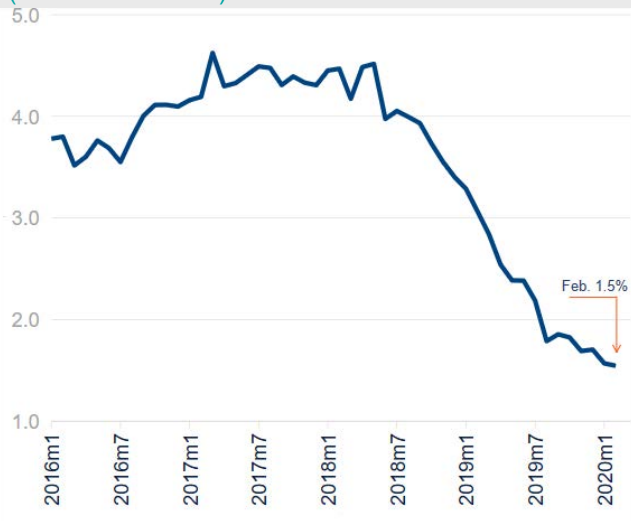
# 11.8 million employed people without medical care and income below the poverty line

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March 23, 2020

## Job creation in February, still unaffected by Covid-19, grows as expected...

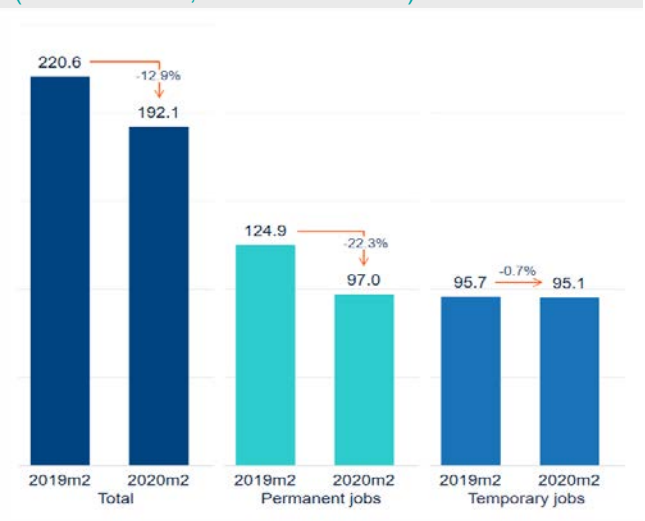
According to figures released by the Mexican Social Security Institute (IMSS), 123 thousand jobs were created in February to reach 20.6 million affiliates registered with one job, representing a growth of 1.5% YoY. Accumulated in the first two months of the year, 192.1 thousand jobs have been created, down 27% in the same period of 2019.

Figure 1. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED WITH IMSS (YoY % CHANGE)**



Source: BBVA Research based on IMSS data

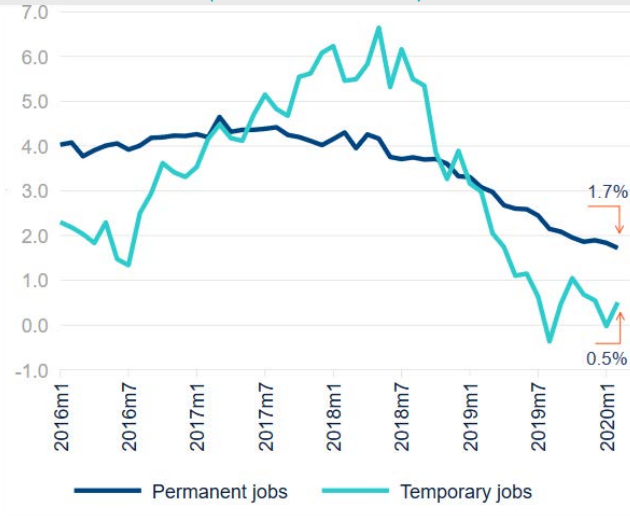
Figure 2. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED WITH IMSS (THOUSANDS, YoY % CHANGE)**



Source: BBVA Research based on IMSS data

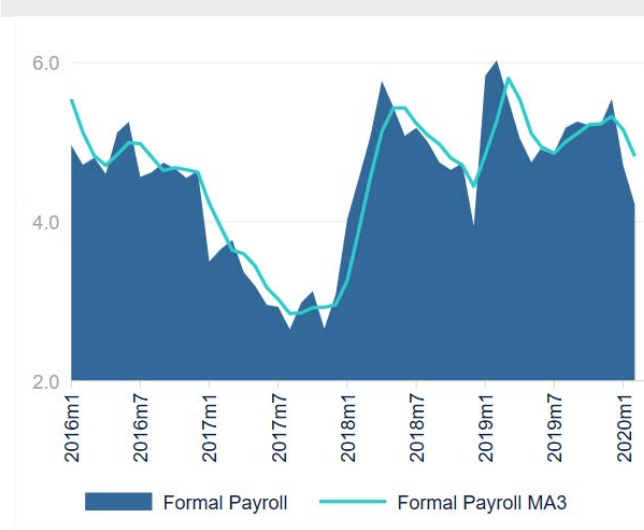
Permanent employment continued a downward trend with growth of 1.7% YoY, down 1.4pp in February 2019. Temporary employment saw a slight recovery, with a growth of 0.5% YoY to reach a total of 95 thousand jobs so far this year. Meanwhile, real wages grew by 2.6% YoY and the total wage bill by 4.2% YoY, lower than in previous months. This decline is explained by a slight uptick in inflation, but more so by the low rate of job creation.

Figure 3. **INSURED PERSONS WITH EMPLOYMENT AFFILIATED WITH IMSS BY TYPE OF EMPLOYMENT (YoY % CHANGE)**



Source: BBVA Research based on IMSS data

Figure 4. **FORMAL PAYROLL (YoY % CHANGE)**



Source: BBVA Research based on IMSS data

**...however, the foreseeable sharp decline in economic activity will have a substantial impact on employment.**

While this growth was as expected, it was hoped that job creation would begin to show signs of recovery from the second and especially the third quarter of the year. However, the current economic downturn breaks with the initial forecast and puts us in a situation with a high probability of contraction of formal jobs and the total wage bill, which will negatively impact consumption at the aggregate and household levels. Job creation is already being affected by supply and demand shocks, the effects of which will be most visible starting in April. Therefore, we expect the negative impact initially to be on temporary employment, with an immediate halt to permanent employment. The extent of the loss or destruction of jobs will ultimately depend on how long the economy remains in pause.

**17 million workers in economic sectors facing a greater potential impact in a scenario of generalized social distancing...**

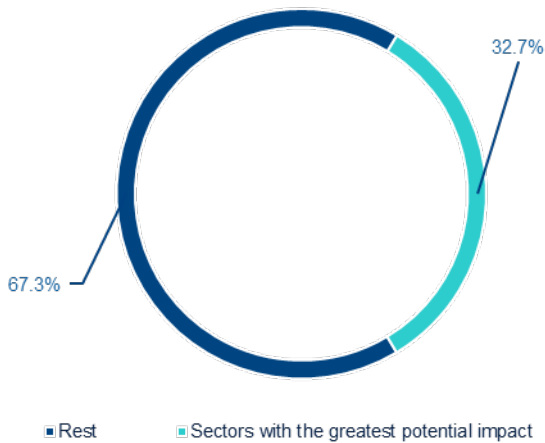
One of the most effective measures in preventing the contagion and exponential growth of Covid-19 has been social distancing and it is becoming increasingly more likely that this measure will be widely adopted across the country. However, the conditions and structure of the labor market should be taken into account in order to cushion the negative impact on the most economically vulnerable families.

In a scenario of social distancing, coupled with the economic slowdown and based on available information, as well as the lessons learned in 2008 with the H1N1 flu, the sectors that will potentially see the greatest negative impact are trade, restaurants, transport, and tourism<sup>1</sup>. According to figures for the fourth quarter of 2019 of the National Employment and Occupation Survey (ENOE), 32.7% of the 55.7 million people in work come from these sectors, of

1: Based on the North American Industry Classification System (NAICS), the restaurants industry includes groups 7221 to 7223; tourism includes 5615, 7210 and 7111 to 7131; and transport includes 4810, 4899 and 5612.

which 51.4% (9.4 million) are from the retail trade sector, 27.2% (5 million) from restaurants and tourism, 12.9% (2.4 million) from the transport sector and 8.5% (1.5 million) from wholesale trade.

Figure 5. **EMPLOYED PEOPLE BY ECONOMIC SECTOR AND TYPE OF IMPACT IN A SCENARIO OF SOCIAL DISTANCING, (% WITH RESPECT TO THE TOTAL EMPLOYED PEOPLE)**



Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

Figure 6. **EMPLOYED PEOPLE IN THE ECONOMIC SECTORS WITH THE GREATEST IMPACT IN A SCENARIO OF SOCIAL DISTANCING, (%)**



Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

Table 1. **EMPLOYED PEOPLE BY POSITION IN THE OCCUPATION AND ECONOMIC SECTOR BY TYPE OF IMPACT IN A SCENARIO OF SOCIAL DISTANCING, (MILLIONS, %)**

Type of employment	Sectors with the greatest potential impact			Rest of sectors		
	Total	Sectors with the greatest potential impact	Rest of sectors	Total	Sectors with the greatest potential impact	Rest of sectors
Salaried workers	38.0	10.4	27.6	68.2%	57.1%	73.6%
Employers	2.7	1.0	1.7	4.8%	5.2%	4.6%
Self-employed	12.5	5.7	6.8	22.5%	31.3%	18.2%
Unpaid workers	2.5	1.2	1.4	4.5%	6.3%	3.7%
<b>Total</b>	<b>55.7</b>	<b>18.2</b>	<b>37.5</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

By type of employment, 56.9% are salaried workers, 31.5% are self-employed, 6.4% are unpaid workers, and 5.2% are employers, of whom 62.4% are informal, making them the most vulnerable because they do not have access to health care from their main occupation. Unlike other sectors, here there is smaller participation of salaried employees and a greater weight of self-employed workers.

## 11.8 million employed people without access to health care and income below the poverty line<sup>2</sup>, of whom 6.3 million work at economic units in the formal sector

There has been a widespread impact on the labor market in this context of economic downturn and health crisis. However, it has had a greater impact on the most unprotected workers who do not have access to social security. According to ENOE figures, 61.7% of the total number of employed people do not receive medical care.

By type of employment, self-employed people are those most vulnerable when it comes to access to health care. Of these workers, 12.4 million do not have access to health care and 5.1 million have income below the poverty line. Second, 54.4% of paid employees do not have access to health care, mainly because they are informal workers. Within this group, 23.3% report income below the income poverty line. These workers could barely cope with a situation of social distancing, so measures should be envisaged to enable these people to continue to receive income.

Table 2. **EMPLOYED PEOPLE, BY TYPE OF EMPLOYMENT, WITHOUT ACCESS TO MEDICAL CARE AND INCOME BELOW THE POVERTY LINE, (MILLIONS, %)**

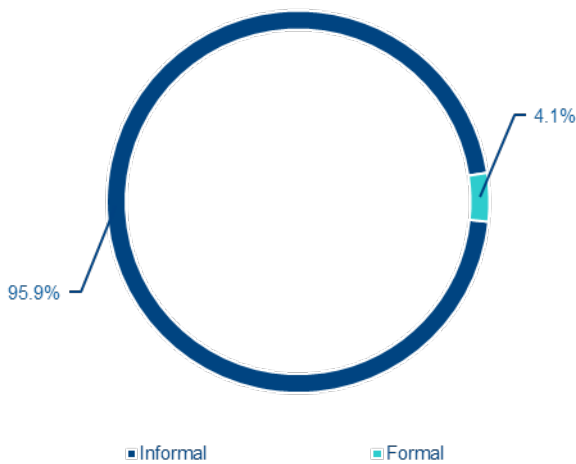
Type of employment	Without medical care	% of total employed	Employed without medical care and income below the poverty line					
			Total	% of the total without medical care	With informal employment	% of the total without medical care	In formal economic unit	% of the total without medical care
Salaried workers	16.7	44.1%	3.9	23.3%	3.9	23.3%	2.8	16.8%
Self-employed	12.4	98.7%	5.1	41.2%	4.8	38.7%	1.9	15.5%
Employers	2.7	99.8%	0.3	10.2%	0.1	3.7%	0.2	6.5%
Sin pago	2.5	99.5%	2.5	100%	2.5	100%	1.5	59%
<b>Total</b>	<b>34.4</b>	<b>61.7%</b>	<b>11.8</b>	<b>34.3%</b>	<b>11.3</b>	<b>32.9%</b>	<b>6.4</b>	<b>18.5%</b>

Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

One fact to highlight is 54.1% of employed people without medical care and with income below the poverty line work in formal economic units, highlighted by the case of paid employees, where 2.8 million workers are in this situation. Therefore, there is ample space for creating further formal employment and this could be implemented rapidly following a more detailed analysis to establish effective measures to bring more of these workers within the realm of formal employment, thus entitling them to receive health care services. The increasingly likely public health crisis is evidence more than ever of the need to combat such practices.

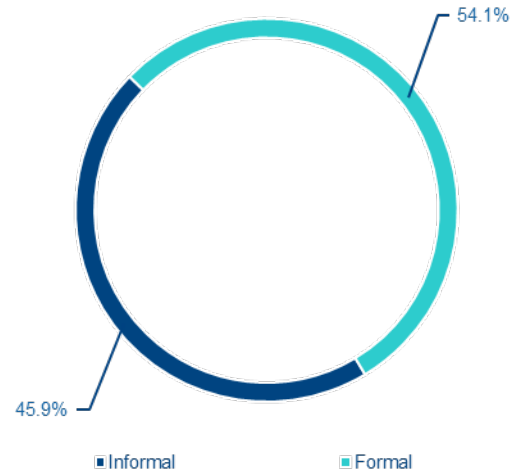
2: Income poverty lines for Mexico determined by the National Council for the Evaluation of Social Development Policy (CONEVAL). Monthly average from October to November of the household food basket plus non-food items (Rural \$2,034.91 and Urban \$3,146.30 current pesos).

Figure 7. **EMPLOYED PEOPLE WITHOUT ACCESS TO MEDICAL CARE, INCOME BELOW THE POVERTY LINE BY FORMAL AND INFORMAL EMPLOYMENT (%)**



Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

Figure 8. **EMPLOYED PEOPLE WITHOUT ACCESS TO MEDICAL CARE, INCOME BELOW THE POVERTY LINE BY TYPE OF ECONOMIC UNIT IN WHICH THEY WORK (%)**



Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

## The most vulnerable: 2.2 million workers over the age of 60, without access to health care and with income below the welfare line

As established by the World Health Organization, adults over the age of 60 are the group most vulnerable to Covid-19. In this regard and taking as reference the income poverty line and the criterion of access to health care, 2.2 million workers will be in the most vulnerable situation.

Of these workers, 880 thousand work in micro-companies without establishments, 56.2% are men – who have shown greater susceptibility to Covid-19 – 72.1% are the head of the household and 93.1% are informally employed. This type of worker is at risk because social distancing not only exposes them to loss of income but also directly exposes them to possible contagion because they will find it very hard to comply with these measures.

## Measures need to be taken quickly to address the health crisis and then reactivate the economy

It is necessary to have a precise measurement of the risks in the health system associated with Covid-19 that includes different angles —such as jobs— in order to better protect the most vulnerable groups. As we have pointed out, it is necessary to prioritize the allocation of resources to the health system and to establish highly effective measures that directly support micro-enterprises and workers by allowing them to continue receiving income when they are unable to work due to the increasingly likely social distancing measures.

The lesson from countries such as Spain and Italy on the Covid-19 pandemic is that in the face of a massive contagion, health care systems buckle under the weight of a crisis of this magnitude. Thus, social distancing policies are important in preventing the growth of the contagion from spiraling out of control. In the short and

medium run, this is the most effective and efficient measure in economic and social terms. In this context, there is a large volume of workers whose income depends on them remaining active in the labor market, putting them at high risk and making them more vulnerable because many of them do not have access to health care through their job. This requires a reorientation and prioritization of public spending for the most long-lasting and sustainable long-term project, which is family welfare.

Map 1. **EMPLOYED PEOPLE AGED 60 AND OVER WITHOUT MEDICAL CARE AND WITH INCOME BELOW THE POVERTY LINE (THOUSANDS)**



Source: BBVA Research based on data from the Mexican National Institute of Statistics and Geography (INEGI)

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