

## ISSUE BRIEF

# CITY RESILIENCE SNAPSHOT: Mexico City

## *A Lifeline for the Most Vulnerable: Mexico City's Financial Relief for Informal Workers*

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CITY RESILIENCE SNAPSHOTS examine a particular city through interviews of city officials, influencers, and other local actors. They capture actions that are taking place to address the underlying economic, social and financial challenges in response to the pandemic—and beyond.

THE ADRIENNE ARSHT-ROCKEFELLER FOUNDATION RESILIENCE CENTER (AARFRC) aims to reach One Billion People with resilience solutions to climate change, migration, and human security challenges by 2030. AARFRC will focus its efforts on individuals, communities, and a broad spectrum of governments and institutions to help them, and their constituencies and stakeholders, better prepare for, navigate, and recover from shocks and stressors

Located on a lake basin and surrounded by volcanoes, Mexico City is continuously at risk of earthquakes, floods, heat waves, and other natural—and not so natural—disasters. More than half of the megalopolis's workforce survives day-to-day and without a social safety net, which makes them particularly vulnerable to these shocks. The handling of the COVID-19 pandemic could serve as a template for how to help these communities become more resilient to crises.

In an unprecedented act, public market associations, civil society groups, unions, and the Mexico City government came together in April, 2020, to implement the Support for Non-Salaried People (*Apoyo a Personas No Asalariadas*), a program to provide financial support to informal workers struggling in the face of the pandemic.

### INFORMALITY IN MEXICO CITY

When her grandmother passed away, Gabriela Zahuita, thirty, decided to return, from her life as a student, to her roots in Mexico City's Historic Center. After studying cultural management and dance at Mexico's National Institute of Fine Arts and Literature, she assumed the role of manager at her grandmother's stall at the Granaditas shoe market in downtown Mexico City.

Established in 1957, Granaditas is one of Mexico City's 329 specialized markets. According to Zahuita, since its inauguration, it has been operating every day of the year, from eight in the morning to seven at night. Even after the 1985 earthquake,



Granaditas market is one of the 329 specialized markets in Mexico City. In Mexico, markets function as a lifeline for the city's residents. Source: Alan Grabinsky

which killed thousands of people in Mexico City, the market stayed open out of necessity. "People just can't afford not to go to work," Zahuita said. "We are just not used to having a fund for contingencies and are not able to save up for more than a month."

Markets are a lifeline for Mexico City; more than nine million people depend on them for their daily needs.<sup>1</sup> Although the Mexico City government requires that shop owners have permits to provide services, most of the city's two hundred and eighty thousand market workers have no further connection to institutionalized social safety nets, subsisting on a day-to-day

basis, without access to health care or social security. They are not alone.

According to Soledad Aragón Martínez, the head of Mexico City's Ministry of Labor and Employment Promotion (*Secretaría del Trabajo y Fomento al Empleo*), almost half of the city's four million workers operate in the informal sector. More than half of them earn the equivalent of two minimum wages a month (around US\$320), according to Cesar Salazar, an economist at the National Autonomous University of Mexico (UNAM). In Mexico, the minimum wage is used as a basic unit to talk about income inequality; specialists agree that the current

1 Comercio, consumo y cultura en los mercados públicos de la Ciudad de México/Angela Giglia – Ciudad de México, México: Universidad Autónoma Metropolitana, Unidad Iztapalpa, División de Ciencias Sociales y Humanidades, Departamento de Antropología, 2018.

minimum wage is one of the lowest<sup>2</sup> in the world, and is not a living wage.<sup>3</sup>

### MEXICO CITY'S CLIMATE VULNERABILITIES

Mexico City's downtown is located in the basin of a valley, in what used to be a system of lakes. Every day, a large number of informal workers travel hours from surrounding districts to get there.

Although water naturally abounds in the valley, poorer districts lack access to continual potable water. Climate change will worsen conditions by causing drier months and more extreme precipitation, according to Adriana Chavez, co-founder of the Office of Urban Resilience (*Oficina de Resiliencia Urbana*), a private firm that assesses urban systemic risks.

"Most of Mexico City's economic activities are clustered around the city's center, which makes it particularly vulnerable to flooding and earthquakes," said Chavez.

Increased frequency of flooding will not only damage existing commercial infrastructure, but also affect commerce by making it harder for both customers and business owners to get to the city center.

"These are preexisting conditions in the city's topography that make it vulnerable to risks," Chavez said. "It's similar to the way COVID-19 operates: if you have preexisting health issues, like diabetes or obesity, you're more prone to get seriously ill."

As with the pandemic, it is the poor who are most susceptible to the risks of flooding and extreme heat.

### INEQUALITY IN MEXICO CITY

Similar to the rest of Mexico and Latin America, Mexico City is riddled with deep-rooted inequalities. In Mexico City, one-third of the population lives in poverty,<sup>4</sup> with stark contrasts in the quality of life within just a few kilometers—the undeniable

2 "El Salario Mínimo Alrededor Del Mundo," *Ahorro Magazine*, October 22, 2020, <http://www.picodi.com/mx/ahorro-magazine/el-salario-minimo-alrededor-del-mundo>.  
 3 *Ibid.*, et al.  
 4 "Ciudad De México," *Pobreza 2018 | Ciudad de México*, n.d., [https://www.coneval.org.mx/coordinacion/entidades/DistritoFederal/Paginas/Pobreza\\_2018.aspx](https://www.coneval.org.mx/coordinacion/entidades/DistritoFederal/Paginas/Pobreza_2018.aspx).  
 5 "Inequality in a rapidly changing world," *World Social Report 2020*, United Nations Department of Economic and Social Affairs, <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/01/World-Social-Report-2020-FullReport.pdf>  
 6 "Conoce El Programa Pilares: Innovación, Libertad, Arte, Educación y Saber," *MXCity, MXCity*, December 10, 2018, [mxcity.mx/2018/12/conoce-el-programa-pilares-innovacion-libertad-arte-educacion-y-saber/](http://mxcity.mx/2018/12/conoce-el-programa-pilares-innovacion-libertad-arte-educacion-y-saber/).

wealth gap is made physically apparent as shantytowns border mansions across the cityscape. Unsurprisingly, because of this lived reality, Mexico is among the top 25 percent in the list of the most unequal countries in the world.

A United Nations study<sup>5</sup> suggests that rising inequality and lack of access to public services correlate with a rise in crime. The same report shows that social mobility has declined in developed countries, translating into decreased levels of economic growth and opportunity. Informality, inequality, and low access to social safety nets are also a matter of public safety.

Mexico City Mayor Claudia Sheinbaum, who took office in 2018, ran on a campaign to improve the city's evident socioeconomic divides and increase access to social infrastructure and public programming, like cultural and community centers, as part of a broader peacebuilding agenda. Through the deployment of decentralized social infrastructure networks—such as PILARES,<sup>6</sup> a network of educational hubs to develop work and digital literacy skills—and an increased focus on constructing infrastructure in low-income districts, like Iztapalapa, the mayor is working toward reconstituting the fragile social fabric and creating a more equitable and resilient Mexico City.

### COVID-19: AN ECONOMIC CATASTROPHE

However, Sheinbaum's plans for socioeconomic growth have profoundly shifted in light of the COVID-19 pandemic. As in many other countries, Mexico was forced to implement strict precautions and close down potential contagion hot spots—like markets—to slow the spread of the disease. Self-quarantine and social distancing measures further decreased citywide mobility and pedestrian traffic, affecting sectors in the economy like tourism, restaurants, and more, which rely on the daily influx of people.

As a result, in April 2020, the number of unemployed people skyrocketed, and as of August, two hundred thousand jobs had been lost in Mexico City. Martínez said that by April, Mexico City's unemployment insurance program—the only one of its

kind in the country—had already capped its annual quota of 48,801 beneficiaries.<sup>7</sup>

This staggering number of unemployed people only captures a fraction of the story. It fails to account for the hundreds of thousands of people who aren't formally registered with the Mexican Institute of Social Security (IMSS), like restaurant servers, actors, service workers, street vendors, and musicians, among others. "We can expect the numbers [of unemployed] in the informal economy to be the same or even higher, but there is no way of really telling as these workers leave no trace," said Martínez.

According to Salazar, the number of unemployed informal workers is difficult to confirm because the national census was postponed due to COVID-19. The labor force survey, *Encuesta Nacional de Ocupación y Empleo* (ENOE), the source for official statistics regarding unemployment, was also rescheduled because of the pandemic. Instead of conducting household interviews, Mexico's National Institute for Geography and Statistics (INEGI) conducted phone surveys, such as the *Encuesta Telefónica de Ocupación y Empleo*. Still, the methodologies and scope of these surveys differ widely from the traditional home-to-home visits and they are not statistically representative because access to phones is unequally distributed throughout the city.

"Informal workers rely on people making daily trips from home to work or school and back," Salazar said. The lack of street activity has affected shoe shiners, waiters, street performers, candy sellers, and food vendors, among many others who rely on the city's hustle and bustle to survive. All across Mexico, newspapers<sup>8</sup> printed stories of people who faced the stark choice of dying at home from hunger or risking their lives out in the streets from COVID-19.

"Someone who goes out to sell *carnitas* on the street is already living in precarious conditions," said Salazar. "[The pandemic] just made it worse."

While the full extent of the impact of the COVID-19 pandemic on the livelihoods of those in the informal sector is still unknown, one can get a sense of the tragedy while waiting for a traffic light to change in Mexico City: waiters and hotel personnel, holding signs that say they have been laid off, beg drivers for money.

7 "La CDMX Busca Elevar a 92,000 La Cifra De Beneficiarios Del Seguro De Desempleo," ADNPolítico, May 26, 2020, [politica.expansion.mx/cdmx/2020/05/26/la-cdmx-busca-elevar-a-92-000-la-cifra-de-beneficiarios-del-seguro-de-desempleo](http://politica.expansion.mx/cdmx/2020/05/26/la-cdmx-busca-elevar-a-92-000-la-cifra-de-beneficiarios-del-seguro-de-desempleo).

8 "Temo Al Coronavirus, Pero Temo Más Morir De Hambre Si No Trabajo," Animal Político, March 19, 2020, [www.animalpolitico.com/2020/03/coronavirus-miedo-cerrar-negocios-trabajo-cdmx/](http://www.animalpolitico.com/2020/03/coronavirus-miedo-cerrar-negocios-trabajo-cdmx/).



Gabriella Zahuita, thirty years old, is standing next to her mother. They are in front of Zahuita's late grandmother's shoe stall at the Granaditas market in Mexico City, Mexico, where she is now the manager. Source: Alan Grabinsky

### INSURANCE FOR THE UNINSURED

In April, Zahuita received a phone call from Martínez who told her that the city had designed a social action plan that would extend its existing job insurance to those in the informal economy. The two-month program, which paid 1,500 pesos (about \$75) per month, was designed to help workers stay at home by helping them cover daily food and rent expenses, thus curtailing their exposure to public transportation and other high-infection zones.

"This was the first time that we received support from the

government," said Zahuita, who is a member of the Board of Directors of the Granaditas market. According to her, a significant portion of the one thousand five hundred market workers are first-generation stall owners, many of them are over sixty years old, and, therefore, part of the age group that is considered the most vulnerable to COVID-19.

The financial relief program designed by the city was part of the Support for Non-Salaried People program. Its digital platform simplified data collection, but it was a challenge for older vendors that do not have access to the internet or are not technologically savvy. To remedy this, Zahuita and her colleagues collected information via phone or home visits from older market vendors.

### COLLABORATION WITH CIVIL SOCIETY

At about the same time as Zahuita's talk with Mrs. Aragon, Jesús Ochoa, General Secretary of the National Association of Actors (*Asociación Nacional de Actores, ANDA*), a ninety-year-old union for performing artists, was contacted by Mexico City's Ministry of Labor and Employment Promotion to see if the union's members, who have been out of work and unable to perform, needed financial relief. "COVID-19 is a disaster which has affected the livelihoods of most of our members," said Ochoa. The seven-thousand-strong union is made up of actors, musicians, circus performers, ballet dancers, mariachi players, and many other performers.

The union is a microcosm of Mexico's profound socioeconomic disparity, according to Ochoa, with most members barely covering monthly expenses while others are signing multimillion-dollar contracts. The whole sector is currently on hold due to the pandemic, which has affected the lower echelon of the union, he said. Although Ochoa is one of Mexico's most well-known actors, he performs every weekend in front of a traffic light to raise awareness of the artists' plight. Mexico City's financial relief for informal workers, given to around one thousand eight hundred union members, has been critical in their lives, according to Ochoa.

Domestic workers have also been severely affected by the COVID-19 crisis. According to Marcelina Bautista, an activist in the sector, about two hundred and fifty thousand domestic workers live in the impoverished outskirts of Mexico City, most of them immigrants from rural backgrounds. In the metropolitan

9 "Temporary Basic Income' Could Slow COVID Surge, Provide Lifeline for World's Poorest | UN News," United Nations, United Nations, [news.un.org/en/story/2020/07/1068871](https://news.un.org/en/story/2020/07/1068871).

area, including surrounding counties beyond Mexico City's political limits, this number goes up to about four hundred and thirty thousand.

When COVID-19 struck, many of these workers—some who had worked with the same family for more than twenty years—lost their jobs. This was mostly due to economic reasons, but also because many employers considered the presence of a "stranger" within the house a health risk, according to Bautista.

"Most domestic workers earn about two minimum wages a day (\$12 to \$20) and were fired without any form of compensation," said Bautista. The financial relief provided provided workers with some temporary resources to do things such as buy groceries, use their mobile phones to contact family, and pay for their children's medical expenses.

### TACKLING FUTURE CRISES

At the end of July, the United Nations Development Programme (UNDP) urged countries worldwide to implement a Temporary Basic Income (TBI) program to "provide a lifeline to the world's poorest." According to the UNDP's report,<sup>9</sup> the measure could slow the spread of COVID-19 by enabling up to three billion people to stay at home.

According to Diana Alarcón Gonzalez, an economic and social development specialist and Mexico City's International Affairs Coordinator, the impact of such help extended beyond the beneficiaries. "An economic crisis of the scale [brought about by COVID-19] could cause massive closures of small businesses, especially in low-income areas of the city," said Alarcón. "However, this has not happened in Mexico City."

"It was an important action to take," Salazar said, referring to the TBI program, "but unfortunately, lack of public resources in cities like Mexico City leave little room to maneuver to do more."

Alarcón agreed that developing countries do not have sufficient resources for these types of programs. Upon reflecting on the experience, she suggested that city governments establish financial buffers. In Mexico City, the government had rationalized public spending even before the crisis. During the pandemic, the annual budget was adjusted again to reduce non-essential expenses; these measures were able to free up resources and



People walk on the street as the coronavirus disease (COVID-19) outbreak continues, in Mexico City, Mexico. Source: Reuters

provide thirty thousand people with unemployment insurance.<sup>10</sup>

Another challenge in these types of programs is reaching those who need it most. “We are working with partial surveys and very general economic indicators when we approach the informal sector,” explained Alarcón. “We need to improve our statistical methods so that we can know who works where and their level of economic vulnerability.”

Mexico has developed targeted programs for vulnerable communities, such as indigenous peoples and women, but they leave out large segments of the population, explained Alarcón. Besides, these programs are susceptible to clientelism by intermediaries and community representatives. However, this

practice has been eradicated in this administration.

The other great challenge has been distributing financial resources to people on time. Besides turning to digital processes, the Mexico City government partnered with Scotiabank. After the insurance plans had been approved, beneficiaries received a code and could retrieve the money from any branch in Mexico City. “The key is to partner with civil society organizations who [understand] the needs of their constituents,” said Aragón. “We need to develop partnerships with these associations so that they can help us cover the blind spots.” She also asserted that civic associations and unions are fundamental players in the informal economy because they keep a record of members and know their needs.

<sup>10</sup> Arturo Ordaz Díaz, “CDMX Apuesta Por La Austeridad Interna Ante Crisis Económica Por Covid-19,” Forbes México, May 19, 2020, [www.forbes.com.mx/economia-cdmx-austeridad-economica-covid-19/](http://www.forbes.com.mx/economia-cdmx-austeridad-economica-covid-19/).

Zahuita and the rest of the Granaditas vendors planned for a monthlong market closure in May; it lasted two months. During that period, around 70 percent of those who worked in the market received their monthly financial relief support of 1,500 pesos. Zahuita and her mother used the money to buy food and merchandise. Now that the market is operating on a partial basis—vendors alternate days to avoid overcrowding—Zahuita can carry on her grandmother’s tradition.

In future climate change-induced disasters like floods or heatwaves, lessons learned from the COVID-19 pandemic and the nimble social alliances formed between civic organizations, markets, unions, and the city government, like the one created by the Support for Non-Salaried People program, could help provide those at the bottom of the social ladder with a critical lifeline.

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