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Analysis of the Effect of Salary on the Participation of the Economically Active Population in Mexico (1993-2023) through an Econometric Model

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Abstract. This analysis investigates the impact of several macroeconomic variables on Mexico's Economically Active Population (EAP), using an econometric model based on ordinary least squares (OLS). The EAP, as a variable linked to the labor market, depends on the minimum wage, Gross Domestic Product (GDP), inflation, interest rates, and foreign direct investment (FDI). The results are revealing: the predominant role of both the minimum wage and GDP on the EAP is evident. An increase in the minimum wage leads to an increase in the labor supply, and GDP reinforces the expansion of the labor force, as growth is boosted. However, certain factors act as obstacles: both inflation and high interest rates would limit hiring and, consequently, very likely decrease workers' purchasing power. In contrast, foreign direct investment does not affect the EAP. This may be the result of a weak relationship between capital flows and short-term job creation. The model is excellent, with an R^2 of 0.972691, which explains 97.27% of the variation in the labor force participation rate. In short, increases in the minimum wage can stimulate job creation, provided these increases are accompanied by controls that are compatible with inflation and interest rates. Furthermore, creating a balanced economy is optimal for the relationship between foreign investment and employment, as it allows for sustainable and inclusive economic growth.

Keywords. Minimum wage, Labor force (EAP), GDP (Gross Domestic Product), Inflation, Interest rates, Foreign direct investment (FDI)

Introduction:

The importance of wages in the labor economy is central because it influences the participation of the economically active population (EAP), a key indicator of the labor market. The complexity of this phenomenon is particularly noteworthy in a country like Mexico, where formal and informal sectors of the economy coexist. Understanding the impact of wages on the EAP in Mexico over long periods, such as from 1993 to 2023, allows for the identification of patterns and the development of economic policies that promote inclusive development.

The Importance of Wages in the Labor Economy

Wages are the main incentive to enter and remain in the labor market. Borjas (2015) establishes a link between increases in real wages and an expansion of the labor supply in situations of perfect competition, although Hamermesh and Biddle (1994) argue that this reaction is not uniform. The study of factors such as physical appearance, among others, allows us to observe that personal attributes and the socioeconomic environment have an impact on salary structure and participation level, which indicates that the job fair is more complex than simple price and quantity.

Informal employment in Mexico disrupts the usual relationship between wages and labor supply, primarily due to its cost in relation to social security, which, according to Ros (2019), interferes with the distribution of workers between the formal and informal sectors. The complexity caused by informal employment is exacerbated by geographical conditions; as Gómez Rodríguez (2019) shows, increases in the minimum wage are not universal, meaning that such increases can promote formal employment more in less dynamic regions, thus challenging the notion of wage rigidity in developing economies.

Minimum Wage and Its Effect

Putting the country on a path to reversing the historical lag in labor compensation is part of Mexico's current labor policy, which will also guarantee no negative impact on inflation and employment (Vargas-Téllez, 2025; Sectoral Program for Labor and Social Welfare 2020-2024). However, economic theory maintains that reversing historical inertia depends on the specific behavior of each market. Following Card and Krueger (1995), in economies with high levels of informality, the relationship between minimum wage and labor well-being can be complex, implying that the expected positive effects may not be uniform across production sectors.

Empirical data suggests that the effect of changes in the minimum wage is not the same for the entire employed population. This complicates estimating the impact of wage changes on the economically active population, as well as, of course, the impact on income and overall wealth. According to Gómez Rodríguez (2019), while increased income alters the income structure, it does not necessarily mean that income distribution and the labor force participation rate change in parallel, as these behave differently for different groups of workers. Adding to this complexity is the effect of transaction costs. Gutiérrez-i-Puigarnau and Van Ommeren (2015) observe how urban mobility acts as a wedge that reduces the amount of wages. In metropolitan areas with deficiencies in public transportation, transportation costs and travel time can negate a significant portion of the nominal wage increase, meaning that workers barely see any net benefit from the offered raise.

Demographic and Regional Factors

The social and economic economy of Mexico—whose functioning varies considerably depending on the different interactions of the labor force—also constitutes a geographical space that responds differently to wage increases, offering distinct values. Thus, rural families and advertisements influence the overall supply response to labor price decisions, especially with intermediate labor supply prices that are very widespread among populations solely engaged in agricultural production (Richards, 2020). In contrast, in cities, the effect of minimum wage policies is characterized by the localization of markets, which incorporate an established economic structure even within the urban environment. This implies that the effect on income and income distribution is also highly heterogeneous and depends, among other factors, on the

demand response offered by the specific location/environment. According to Martínez González (2020), this heterogeneity can influence income and employment distribution, revealing that minimum wage policies have less impact in more diversified and varied local economies.

The gender gap in Mexican labor markets, priorities within their context, and the labor supply are also mediated by the availability of childcare infrastructure. In this regard, Díaz and Rodríguez-Chamussy (2013) conclude that, like restrictions related to domestic work or childcare, these must be considered, even if there is an attractive increase in the supply of female labor. Therefore, only family policies can offer such values; comprehensive policies can address this situation, among other things, and (Vuri, 2016) must establish the connection between the family and work spheres. The suggested decision-making leads to attention to the response in the possible way—reducing care costs and providing support—to the job offer for women, since with this the expected types of job responses can be obtained to facilitate women's exit from and access to the job market, and even their retention.

Business Strategies and Public Policies

Economic theory holds that the elasticity of labor demand with respect to production costs, as suggested by Hamermesh (1993), leads companies to intervene in the labor demand or eliminate workers to replace them with capital goods. In the Mexican context, this behavior is important for considering the transformations of the secondary and primary labor force. The need to achieve higher levels of productivity, requiring greater effort from the workforce as a consequence of rising labor costs, can lead to structural changes that condition the supply of employment in sectors such as manufacturing or agriculture.

According to the ILO (2020), minimum wages are important tools for reducing inequality, provided they are framed within a series of labor policies linked to formalization and social protection. This measure will have a positive effect on reducing pay inequality when complemented by policies for continuous improvement of labor skills and flexible employment, so that the working population has access to and can take advantage of better economic opportunities as a result of improved competition.

Study Period and Perspectives

Through an econometric exercise covering the period 1993-2023, this study investigates how the economically active population (EAP) has been reconfigured through the country's structural and macroeconomic changes. Inflation, for its part, depresses wage incentives by reducing workers' purchasing power (Martins, 2024), while economic growth is considered the primary determinant of employment dynamics. As Porrás-Arena et al. (2023) mention, fluctuations in the level of economic activity are intrinsically related to employment rates and the labor market's absorption capacity, such that growth is a prerequisite for labor market equilibrium.

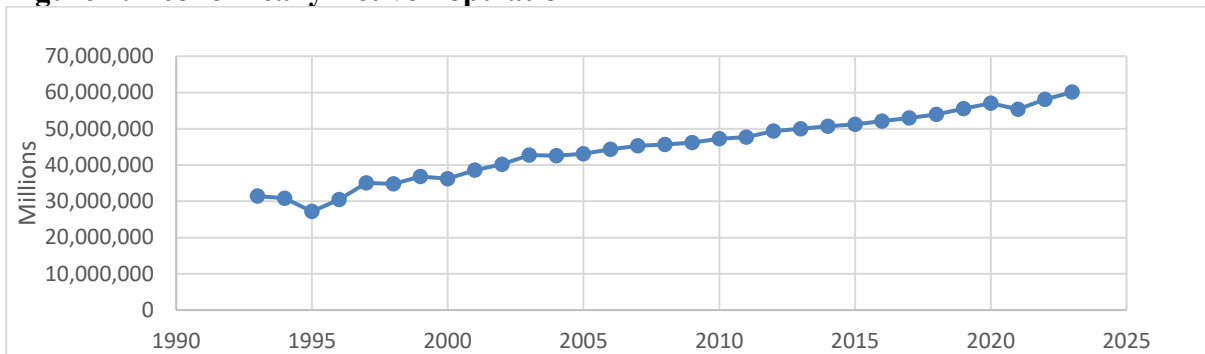
In conclusion, this work aims to contribute to the understanding of the wage-labor force participation (EFP) relationship in Mexico through an econometric model that considers a series of individual variables such as the minimum wage, GDP, inflation, and interest rates. This allows for the identification of significant patterns and relationships to inform the development of relevant labor and wage management policies that contribute to social welfare and economic inclusion at the state level.

Materials and Methods

The objective of this study is to determine the impact of the minimum wage on the participation of the economically active population (EAP) in Mexico during the period 1993-2023. To this end, a methodological model was designed that uses quantitative and econometric tools, supported by a correlational and explanatory approach. The essential characteristics of the research process are outlined below.

How can we observe the behavior of the following variables present in this study in Mexico during the period 1993-2023?

Figure 1: Economically Active Population



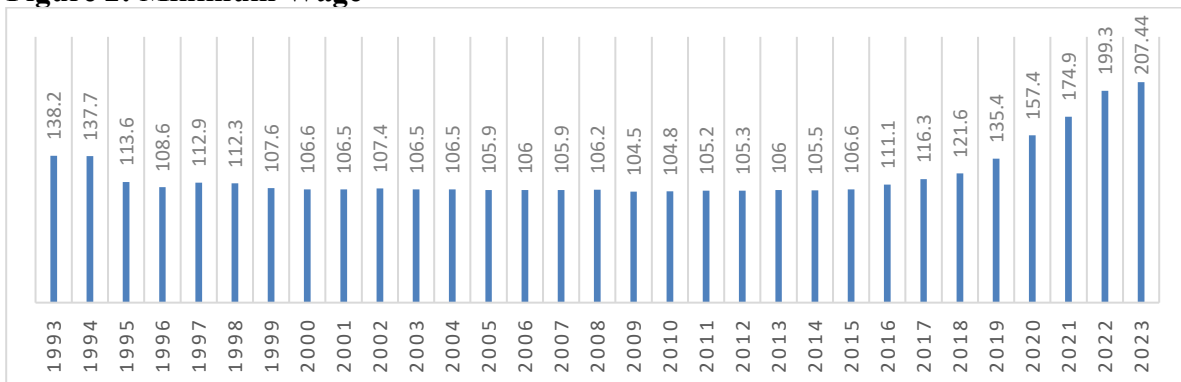
Source: INEGI
Own elaboration.

Figure 1, which shows the economically active population (EAP) rate, reveals a dynamic trend during the period 1993-2023. The EAP stood at 31.4 million in 1993, dipped slightly to 30.8 million in 1994, and reached its lowest point in 1995 at 27.1 million, likely due to economic factors.

The EAP began to grow from 1996 onwards, reaching 35 million in 1997 and surpassing 40 million in 2002. Subsequently, it grew with slight dips, maintaining a level of 45 million for the period 2007-2008. In the following decade, the labor force increased weekly, surpassing 50 million in 2013.

This trend continued until reaching 55.5 million in 2019. In 2021, the labor force experienced a slight decrease to 55.3 million, generating a minor impact on labor force growth. However, in 2023, the labor force increased again to 60 million, a period considered a clear sign of labor force expansion during those years.

Figure 2: Minimum Wage



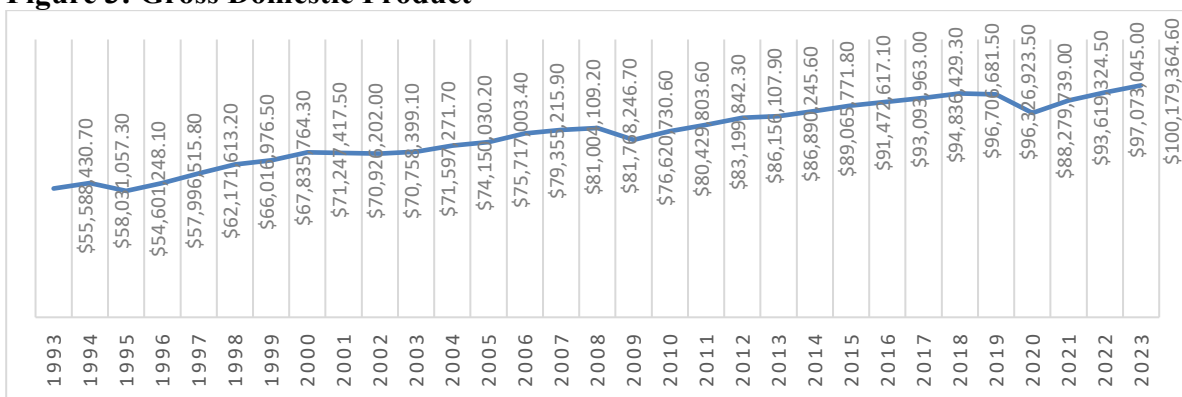
Source: CONASAMI
Own elaboration.

Figure 2 shows the evolution of the minimum wage in Mexico from 1993 to 2023. A trend characterized by periods of stability and considerable growth in recent years is evident. In 1993, the minimum wage was 138.2, although it gradually decreased until 1996, reaching 108.6. This decline can be interpreted as a result of the adverse economic effects experienced during that decade.

During the period 1997-2015, the minimum wage remained relatively stable, fluctuating between 105 and 112, with subsequent increases of one minimum wage after another. The most significant increase occurred in 2016, reaching 111.1. The rate of increase accelerated from 2018 onward, but remained relatively constant: 135.4 in 2019; 157.4 in 2020 and 199.3 in 2022.

Finally, in 2023, the minimum wage reached its highest point in the analyzed period at 207.44. These results may be indicative of current policies implemented to improve workers' income and recent efforts to reduce the wage gap.

Figure 3: Gross Domestic Product



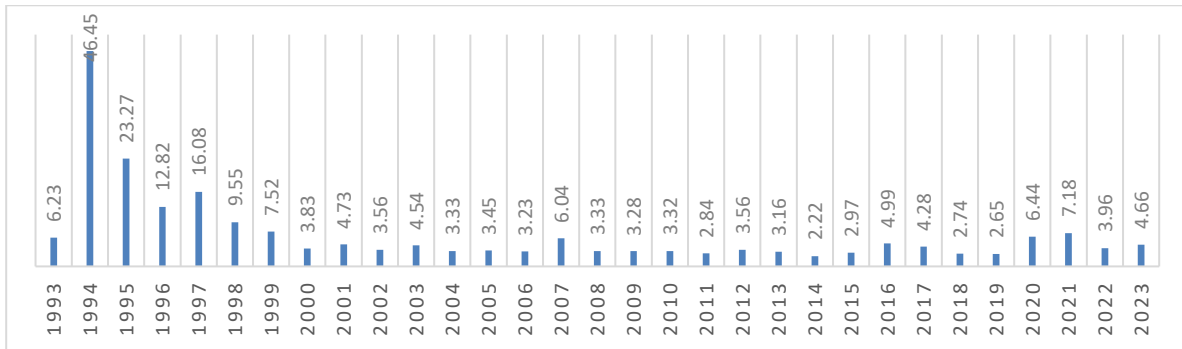
Source: INEGI
Own elaboration.

Figure 3, showing Mexico's Gross Domestic Product (GDP) between 1993 and 2023, reveals a general trend of overall growth interspersed with periods of stability and economic contraction. In 1993, GDP was \$55.5 billion, followed by steady growth until 1998, reaching \$66 billion. However, in 1995, there was a significant drop to \$54.6 billion, reflecting the economic crisis of that year.

While GDP continued to grow during the 2000s, reaching \$81.7 billion in 2008, the global financial crisis in 2009 led to a decline to \$76.6 billion.

In 2010, GDP levels recovered with steady increases, reaching \$96.7 billion in 2018. Then, the COVID-19 pandemic in 2020 brought a drop to \$88.2 billion, but recovery began in 2021, and finally, in 2023, it reached its highest level of \$100.1 billion, representing a recovery and strengthening of the Mexican economy in recent years.

Figure 4: Annual Inflation



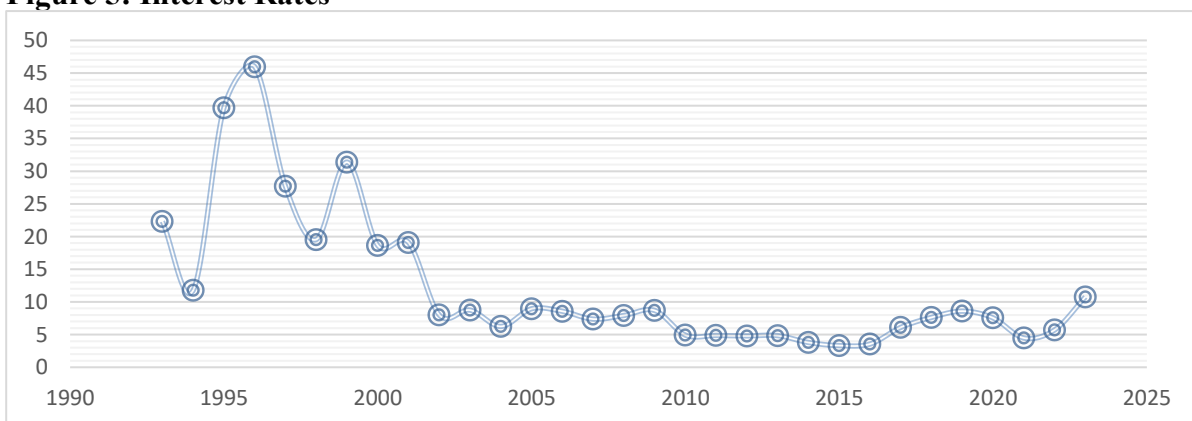
Source: INEGI
Own elaboration.

Figure 4 shows annual inflation in Mexico (1993-2023), which exhibits variable behavior, with periods of high inflation followed by relative stability.

In 1993, inflation was 6.23%, but in 1994 it reached a significant 46.45% due to the economic crisis and devaluation of the peso. In 1995, it fell to 23.27%, reflecting a progressive and gradual slowdown. By 1996 and 2000, inflation showed a downward trend, from 12.82% in 1996 to 3.83% in 2000, indicating the stability of a growing economy.

In the 2000s, inflation remained controlled between 2% and 4%, except in 2007 when it reached 6.04%. From 2010 to 2019, inflation fluctuated relatively smoothly, ranging from 2.22% to 4.99%, with low values of 2.22% and 2.65% in 2014 and 2019, respectively. In 2020, inflation rose to 6.44% due to the pandemic, and a year later, it climbed to 7.18% in 2021. Finally, in 2023, inflation reached 4.66%, moderated by the time that had passed after years of global inflationary pressure.

Figure 5: Interest Rates



Source: Banco de Mexico
Own elaboration.

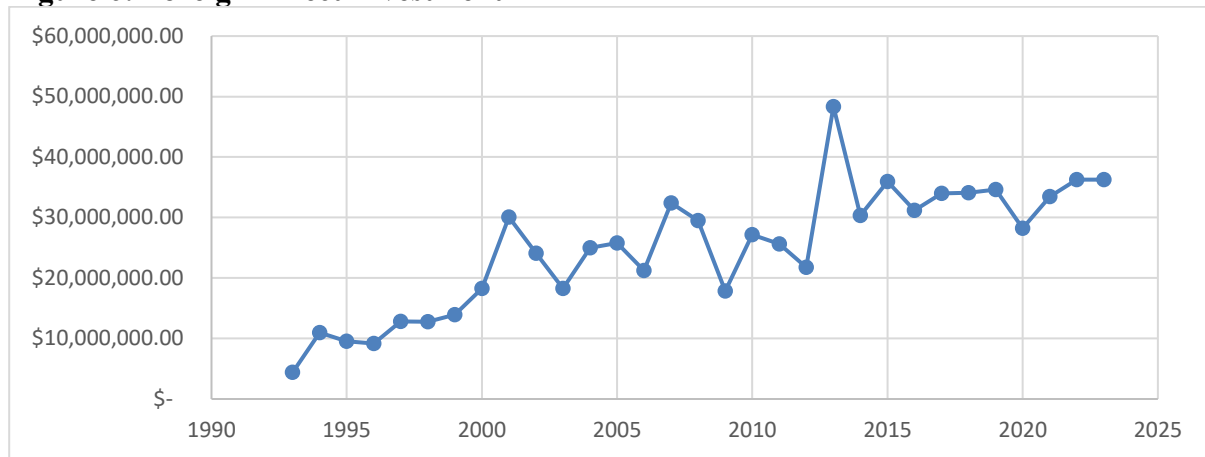
Figure 5 shows the analysis of interest rate trends in Mexico between 1993 and 2023. It reveals periods of highly volatile behavior and moments of significant economic adjustments. Interest rates in 1993 began at a very high level of 22.3%, but a significant drop brought them down to 11.78% in 1994.

The economic crisis that the country was experiencing from 1995 onward led to a significant increase, reaching 39.7%, with a notable peak of 45.97% in 1996, reflecting the unstable economic conditions.

Between 1997 and 2000, interest rates gradually declined from 27.68% to 18.63%, demonstrating a gradual adjustment. After 2001, interest rates began a downward trend; the lowest values were reached in 2004 (6.25%) and stabilized around 8% until 2009.

During the decade from 2010 to 2015, rates continued their downward trend, reaching a historic low in 2014 (3.79%). However, between 2017 and 2019, rates rebounded, returning to levels above 6%. In 2020, they fell again to 7.55%, and finally, in 2023, rates closed their cycle at 10.76%, reflecting monetary adjustments to combat inflation and the economic recovery that had taken place. Foreign Direct Investment

Figure 6: Foreign Direct Investment



Source: Banco de Mexico
Own elaboration.

The comparison between Figure 6, which shows the year-on-year evolution of Foreign Direct Investment (FDI) in Mexico between 1993 and 2023, and the corresponding graph of FDI evolution in Mexico (1993-2023) again confirms how the descriptive guidelines presented in the figure are consistent with the previous graphs, as well as with the text of the current subsection. As we can observe, FDI shows an increasing and/or fluctuating trend over time, reflecting the significant influence of economic and global factors on FDI in Mexico. Thus, FDI in 1993 was \$4,388 million.

In 1994, FDI doubled, reaching \$10,972 million, and subsequently, in 1995, it decreased slightly to \$10,958 million due to the economic crisis. From 1996 to 2000, FDI showed a slow but steady upward trend, reaching \$18.248 billion in 2000. By 2001, FDI had increased significantly, reaching \$30.057 billion, but between 2002 and 2003 it declined sharply to \$18.249 billion, reflecting global uncertainty. From 2004 to 2008, FDI remained high, exceeding \$30 billion in 2007.

The 2009 financial crisis caused FDI to fall to \$17.85 billion, but it rebounded in 2010 to \$27.189 billion and reached a peak of \$48.354 billion in 2013. Complete fluctuations are observed up to 2023, with FDI reaching \$36.282 billion. The behavior described here reflects the confidence that international actors have in the world, as well as Mexico's exposure to the chameleon-like international economy.

The study is based on an econometric model using ordinary least squares (OLS), which aims to evaluate how different macroeconomic variables affect the economically active population (EAP). This technique allows for the evaluation of the quantitative relationship that a set of independent variables may have with the dependent variable being analyzed, and its operation is based on historical data that helps demonstrate the robustness of the results. The sample is based on 31 observations, thus obtaining a representative sample of what could be relevant economic trends over time.

The model specification is as follows:

$$PEA = C + \beta_1 \cdot SALARIO_MINIMO + \beta_2 \cdot PIB + \beta_3 \cdot INFLACION_ANUAL + \beta_4 \cdot TASAS_DE_INTERES + \beta_5 \cdot IED + \varepsilon$$

Where:

- **PEA:** Dependent variable that measures the active labor force in the economy.
- **C:** Model constant.
- **$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$:** Coefficients that represent the marginal impact of each independent variable on the PEA.
- **ε :** Random error term.

Variables Used:

1. Dependent Variable

Economically Active Population (EAP): This indicates the number of people actively involved in the labor market, whether employed or seeking employment.

2. Independent Variables

- **Minimum Wage:** This directly measures the impact of wage levels on labor force participation.
- **Gross Domestic Product (GDP):** This reflects economic growth as one of the determinants of employment.
- **Annual Inflation:** This considers the erosive effect of rising prices on purchasing power and employment.
- **Interest Rates:** This measures the impact of the cost of capital on employment and investment.
- **Foreign Direct Investment (FDI):** This relates capital flows to the creation of formal employment.

Data Sources Section

The analysis is based on secondary data from reliable and relevant sources, such as:

- a) Annual reports from the National Institute of Statistics and Geography (INEGI); - Reports from the National Minimum Wage Commission;
- b) Economic indicators from the Bank of Mexico and other financial institutions in the country;

c) Macroeconomic studies available in academic and government databases.

The evaluation period covers 31 years, from 1993 to 2023, in order to observe long-term trends in the variables analyzed. Methodology

Data Collection:

Historical information was collected on minimum wages, the labor force participation rate, and control variables. Special attention was paid to the uniformity of the units of measurement and the quality of the data collected.

Results

Statistical Analysis:

The model was processed using the econometric software EViews 12.

Table 1: Results of the Proposed Econometric Model

| Dependent Variable: POBLACION_ECONOMICAMENTE_ACTIVIA | | | | |
|------------------------------------------------------|-------------|-----------------------|-------------|--------|
| Method: Least Squares | | | | |
| Date: 12/15/24 Time: 23:04 | | | | |
| Sample: 1 31 | | | | |
| Included observations: 31 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | -844180.7 | 3607610. | -0.234000 | 0.8169 |
| SALARIO_MINIMO | 48144.36 | 13644.89 | 3.528381 | 0.0016 |
| PRODUCTO_INTERNO_BRUTO | 0.537131 | 0.059169 | 9.077980 | 0.0000 |
| INFLACION_ANUAL | -86856.10 | 45926.24 | -1.891208 | 0.0702 |
| TASAS_DE_INTERES | -106929.2 | 42593.83 | -2.510439 | 0.0189 |
| INVERSION_EXTRANJERA_DIREC | -0.024997 | 0.061300 | -0.407784 | 0.6869 |
| R-squared | 0.972691 | Mean dependent var | 44931337 | |
| Adjusted R-squared | 0.967230 | S.D. dependent var | 8989686. | |
| S.E. of regression | 1627362. | Akaike info criterion | 31.61480 | |
| Sum squared resid | 6.62E+13 | Schwarz criterion | 31.89235 | |
| Log likelihood | -484.0295 | Hannan-Quinn criter. | 31.70528 | |
| F-statistic | 178.0931 | Durbin-Watson stat | 1.924835 | |
| Prob(F-statistic) | 0.000000 | | | |

Source: Prepared by the author using data from E-views.

The results reveal key insights into the relationships between the variables:

1. Results of the coefficients:

Table 2: Coefficients and significance

| Variable | Coefficient | Significance (p-value) |
|------------------------------|-------------|------------------------|
| Constant | -844,180.70 | 0.8169 |
| Minimum Wage | 48,144.36 | 0.0016 |
| Gross Domestic Product (GDP) | 0.537131 | 0 |
| Annual Inflation | -86,856.10 | 0.0702 |

| | | |
|---------------------------|-------------|--------|
| Interest Rates | -106,929.20 | 0.0189 |
| Foreign Direct Investment | -0.024997 | 0.6869 |

Source: Prepared by the author using data from E-views.

Constant (C):

In Table 2, the p-value of 0.8169 indicates that the model constant is not statistically significant and suggests that, in the absence of the independent variables, the model explains little or nothing about the economically active population (EAP). This implies that the EAP does not change solely due to the model constant, but largely due to the effects of the independently considered explanatory variables: minimum wage, GDP, inflation, interest rates, and foreign investment. The relationship between each variable is key to understanding how the labor market functions.

Minimum Wage:

With a positive coefficient of 48,144.36 and statistical significance ($p=0.0016$), the minimum wage shows that it influences the economically active population. Increases in the minimum wage act as a way to stimulate greater labor force participation; that is, workers show their predisposition to follow wage improvements. In practice, this occurs with the direct consequence that adjustments in income levels can motivate people to seek employment or to become active members of the workforce, given the situation in many economies where salary is a determining factor.

GDP:

The coefficient of 0.537131, with the added level of statistical significance ($p=0.0000$), supports these previous ideas about the strong relationship between economic growth and the active labor force. In other words, an increase in the flow of economic activity, which can be measured through Gross Domestic Product (GDP), brings with it an expansion of the number of jobs, thus fostering, of course, greater access to the labor market. For better or for worse, a positive economic environment and a positive GDP undoubtedly ensure the expansion of the economically active population. This expansion occurs, on the one hand, through increased job creation, on the other hand, with the arrival of investments, and finally, with a better position for the productive areas of different sectors. Therefore, it makes perfect sense to argue that economic growth policies not only contribute to improving living conditions but also have a focus on labor inclusion. In reality, and in an environment like Mexico's, boosting GDP is one way to improve the quality of working conditions.

Annual Inflation:

The negative coefficient of $-86,856.10$, obtained along with its corresponding p-value of 0.0702, which is considered only marginally significant, suggests that inflation may reduce the economically active population (EAP). This result indicates that inflation can erode workers' purchasing power, potentially discouraging them from participating in the labor market. However, since the significance level is not sufficiently robust, this relationship cannot be tested with high statistical confidence. This may be due to the interaction with other economic determinants that mitigate or accentuate the effect of inflation on employment, such as public policies, wage adjustments, or the characteristics of the informal market. While the negative effect of inflation is plausible, further analysis is needed to confirm the existence of this

relationship and how inflation may affect worker participation in labor markets in economies like Mexico's. *Tasas de Interés*:

The significant negative coefficient of -106,929.2, along with its statistical significance ($p=0.0189$), suggests that high interest rates have detrimental effects on hiring. In fact, this result highlights that the increased cost of capital translates into greater barriers to investing in productive projects or expanding the workforce, which, in turn, can stifle job creation. In this sense, high rates can limit access to financing for productive activities necessary for businesses to operate, particularly affecting sectors that need credit to function or grow. This conclusion suggests the need for equilibrium interest rate levels that promote economic recovery without discouraging hiring. It also suggests that monetary policy decisions not only impact economic growth but also labor market dynamics, especially in economies that are more sensitive to changes in the cost of money.

Foreign Direct Investment (FDI):

In the analysis of the Foreign Direct Investment (FDI) variable, a p-value of 0.6869 was obtained, which is insufficient to reach a level of significance in the model. This suggests that its effect on the Economically Active Population (EAP) is not relevant to the context of this analysis. In other words, capital flows from abroad do not appear to have a significant effect on the active workforce, at least within the context of this study. This result could be linked to structural determinants of the national market, such as the anchoring of investment, which does not immediately impact formal employment. That is, FDI is important for economic growth, but its effect on the EAP depends on other policies that strengthen job creation. Therefore, this data highlights the need to evaluate other factors that can better explain employment dynamics in Mexico.

Goodness of fit:

Table 3: Goodness of fit

| Measure | Worth |
|------------------------------|--------------------|
| R-squared (R2) | 0.972691 |
| Standard error of regression | 1,627,362 |
| F statistic | Highly significant |

Source: Prepared by the author using data from E-views.

R-squared (R2):

The goodness-of-fit analysis, shown in Table 3, yields an R^2 of 0.972691, indicating that the model can explain 97.27% of the overall variations observed in the economically active population (EAP). This high percentage also reflects the model's strong ability to explain the relationships with the independent variables of the EAP. In reality, the results indicate that almost all of the observed changes can be explained by the macroeconomic factors considered (minimum wage, GDP, inflation, interest rates, and foreign direct investment). This level of goodness of fit highlights the model's strength in describing labor market dynamics in Mexico, even though the small unexplained percentage may be related to external variables or unforeseen factors that were not taken into account.

Standard error of the regression:

The standard error of the regression is 1,627,362, meaning that the predictions generated by the model are very similar to the observed actual values. This result further supports the model's accuracy in predicting fluctuations in the economically active population (EAP) based on the included independent variables. In other words, the differences between the forecast values and the actual data are very small, thus supporting the model's reliability in this regard. While there is inherent error in statistical analysis, the magnitude of this standard error suggests that the relationships found between the included variables are well-founded and accurately reflect the dynamics of the labor market. However, it would be worthwhile to continue exploring whether including other variables could further reduce the standard error and improve the model's predictive capabilities.

F-statistic:

The analysis indicates a state of extreme significance ($p=0.0000$), which supports the overall performance of the implemented model. This result confirms the assertion that the variables present in the analysis, overall, accurately reflect the variations observed in the economically active population (EAP). In light of statistical standards, it can be stated that the model captures the independent-dependent variable relationship, making it adept at capturing labor market dynamics. The overall significance confirms the suitability of the variables, demonstrating that their combination is not simply a result of coincidental variability. This degree of statistical robustness makes the model an effective tool for accounting for the macroeconomic factors that influence the EAP, and also serves as a basis for proposing public policies related to employment and economic growth with a focus on inclusion.

Additional diagnoses:

Table 12: Waste Diagnosis

| Extent | Worth |
|---------------|----------|
| Durbin-Watson | 1.924835 |

Source: Prepared by the author using data from E-views.

Durbin-Watson:

The result is 1.924835, indicating no autocorrelation in the residuals generated by the model. This result suggests that the predictions generated by the model are independent of each other, meaning that the errors generated are independent, thus supporting the statistical validity of the analysis. Furthermore, the absence of autocorrelation in the residuals ensures that the econometric model meets one of the most important analytical assumptions: the assumption of autocorrelation. This allows us to have a more credible model for explaining the relationships between the dependent and independent variables. This finding is important because autocorrelation would distort the results, rendering the estimates of the generated coefficients unreliable. Therefore, the value obtained supports the model and assures us that the inferences that can be drawn from it are consistent, demonstrating that the presented work can offer a robust and credible analysis of the dynamics of the economically active population (EAP).

Discussion:

The findings reveal that the minimum wage and GDP are the variables with the greatest influence on the economically active population. This demonstrates that a wage increase not

only improves workers' well-being but also fosters greater labor force participation. High interest rates and inflation, however, are not in the optimal direction, leading to negative results that necessitate hiring restrictions, in addition to the existing low investment.

The lack of significance of foreign direct investment may be due to the potential disconnect between capital flows and short-term labor market dynamics; however, the dynamics of balanced economic policies that promote employment without causing distortions are highlighted.

Conclusion

The econometric model shows that economic growth, as well as wage policies, are fundamental to the expansion of the labor force. It appears that increasing the minimum wage can contribute to job creation, provided that inflation and interest rates are kept under control. The limited impact of foreign direct investment suggests that its role in the relationship between wages and growth should be addressed through specific policies that promote the employment-labor relationship.

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