Labour income inequality in Mexico
Puzzles solved and unsolved

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Inequality in labour income

Notes: Authors’ construction. Workers aged 20–64 years and with valid labour income and working hours. For ENOE we use the second quarter of each year.

Puzzles solved: Inequality increased before NAFTA
Inequality in labour income

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Puzzles solved:
Inequality increased before NAFTA
Inequality declined after NAFTA up to 2006.
Inequality in labour income

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Puzzles solved:
Inequality increased before NAFTA

Inequality declined after NAFTA up to 2006.

Puzzle unsolved:
Inequality in 2006-2016
Problem of item non-response

**ENIGH:**
(Expenditure-Income Survey)
Not a problem

**ENOE:**
(Labor Force Survey)
A big problem.

Among college-educated workers the % missing income is close to 50%.

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In 2000, similar distributions at the top...

Notes: Authors’ construction. Restricted to workers in the formal sector.
In 2010, ENOE underestimates income at the top...

Workers earning more than 20MW
IMSS = 2.5%
ENOE = 0.6%

Notes: Authors’ construction. Restricted to workers in the formal sector.
In 2017, ENOE underestimates income at the top...

Workers earning more than 20MW
IMSS = 2.7%
ENOE = 0.14%

Notes: Authors’ construction. Restricted to workers in the formal sector. ENIGH refers to year 2014.
Proposal to solve rising item non-response

• Post-survey reweighting AND “hot-deck” imputation
• Formal sector workers: use administrative data wage structure + “hot-deck” imputation
• Informal sector? Only “hot-deck” imputation.
• IMSS data includes information on the number of workers (in the formal sector) by minimum wage (MW) multiples since 2000 (and also reports the brackets by gender and age group). For example, # workers: female 20-29 earning 1-2 MW. Available since 2000.
• We assume the IMSS distribution is the “true” distribution.
• Multiply weights in ENOE using post-survey reweighting (Biemer & Christ 2008):

\[
\frac{\text{% Formal Workers in category } i \text{ in IMSS}}{\text{% Formal Workers in category } i \text{ in survey}}
\]

• 104 Categories: sex (2), age group (20–29, 30–39, 40–49, 50+), and multiples of the minimum wage (in groups: 1–10, 11–15, 16–20, 21+).
By construction this procedure assures the same distribution

Notes: Authors’ construction. Year 2017. Restricted to workers in the formal sector.
Results
Average monthly labour income
A. Primary or less

B. Lower secondary

C. High school

Notes: Workers aged 20–64 years. 2015 MXP.
The procedure obtains relatively similar trends btw ENIGH-ENOE.

Notes: Workers aged 20–64 years. 2015 MXP.
Results
Inequality
Notes: Workers aged 20–64 years.
Inequality (Gini coefficient)

Year

ENOE Original
ENIGH
ENOE Reweighted+imputed all
IMSS

Notes: Workers aged 20–64 years.

Puzzle solved:
2006-onwards: inequality did not decline
Inequality (Gini coefficient)

Notes: Workers aged 20–64 years.

Puzzle unsolved: Levels are still different
Notes: RIF decomposition method proposed by Firpo et al. (2009). Workers aged 20–64 years.