

Labour income inequality in Mexico

Puzzles solved and unsolved

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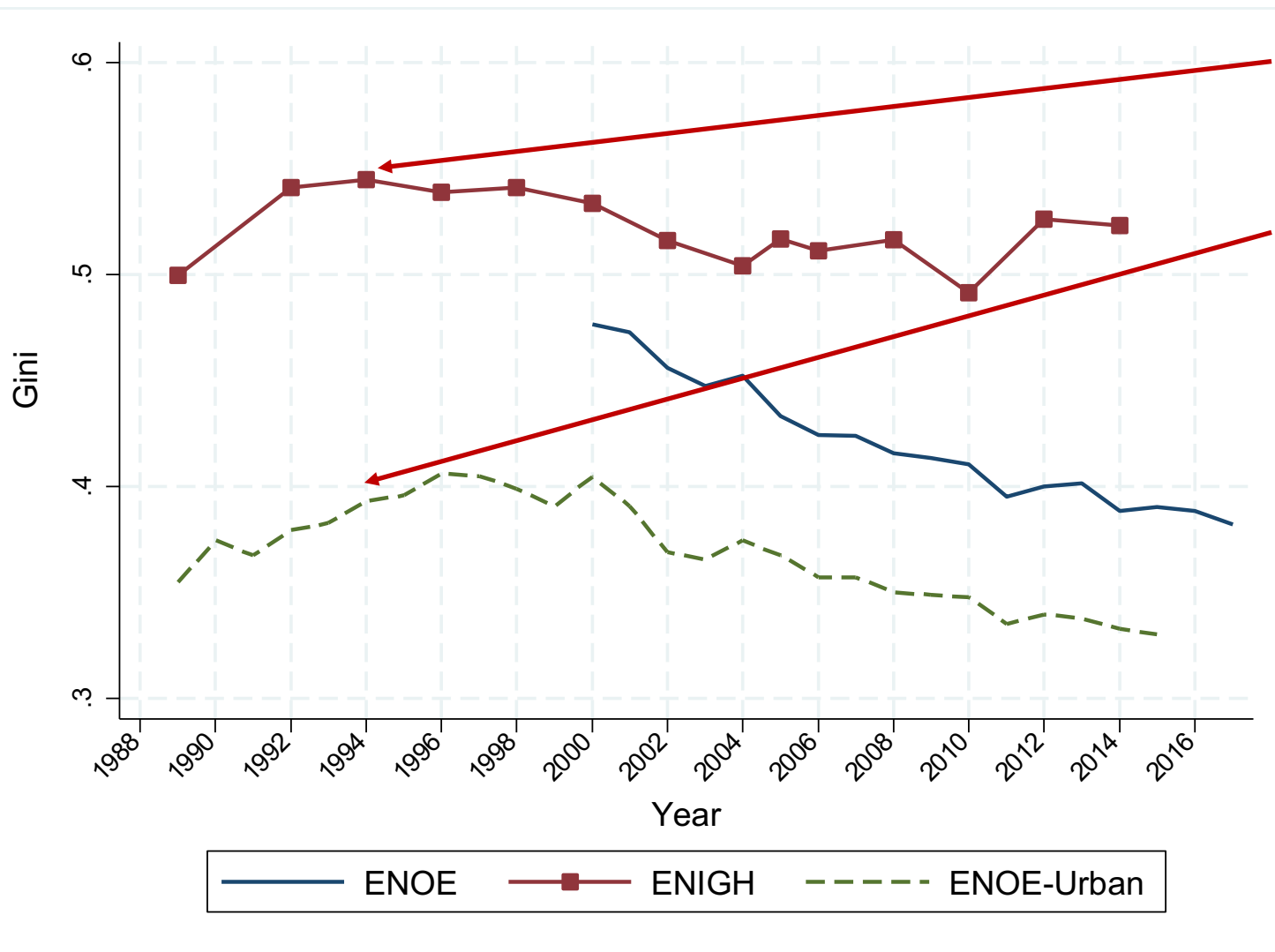
Joint work with

Nora Lustig (Tulane University)

LASA

Barcelona, May 24, 2018

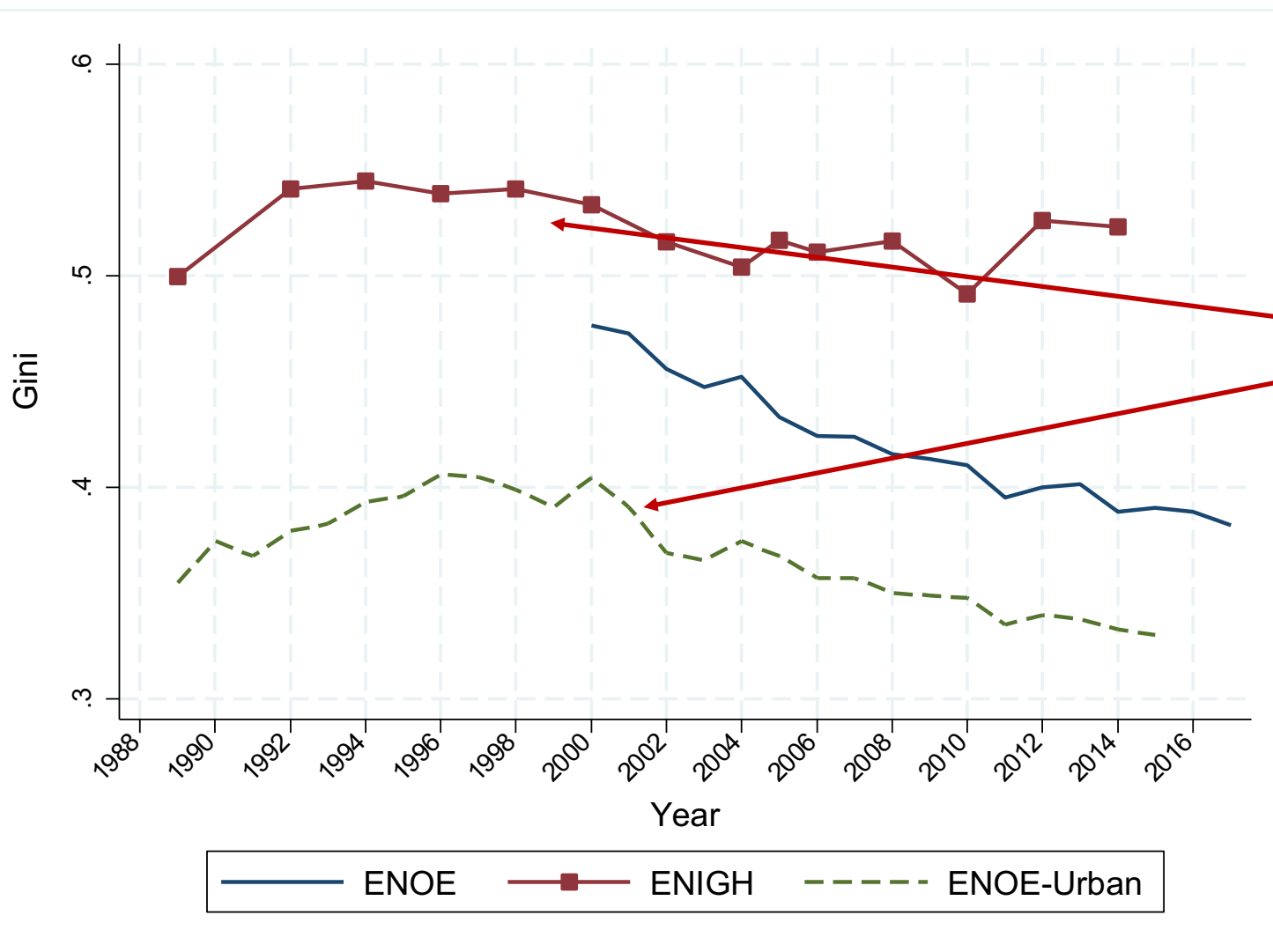
Inequality in labour income



Puzzles solved:
Inequality
increased before
NAFTA

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.

Inequality in labour income

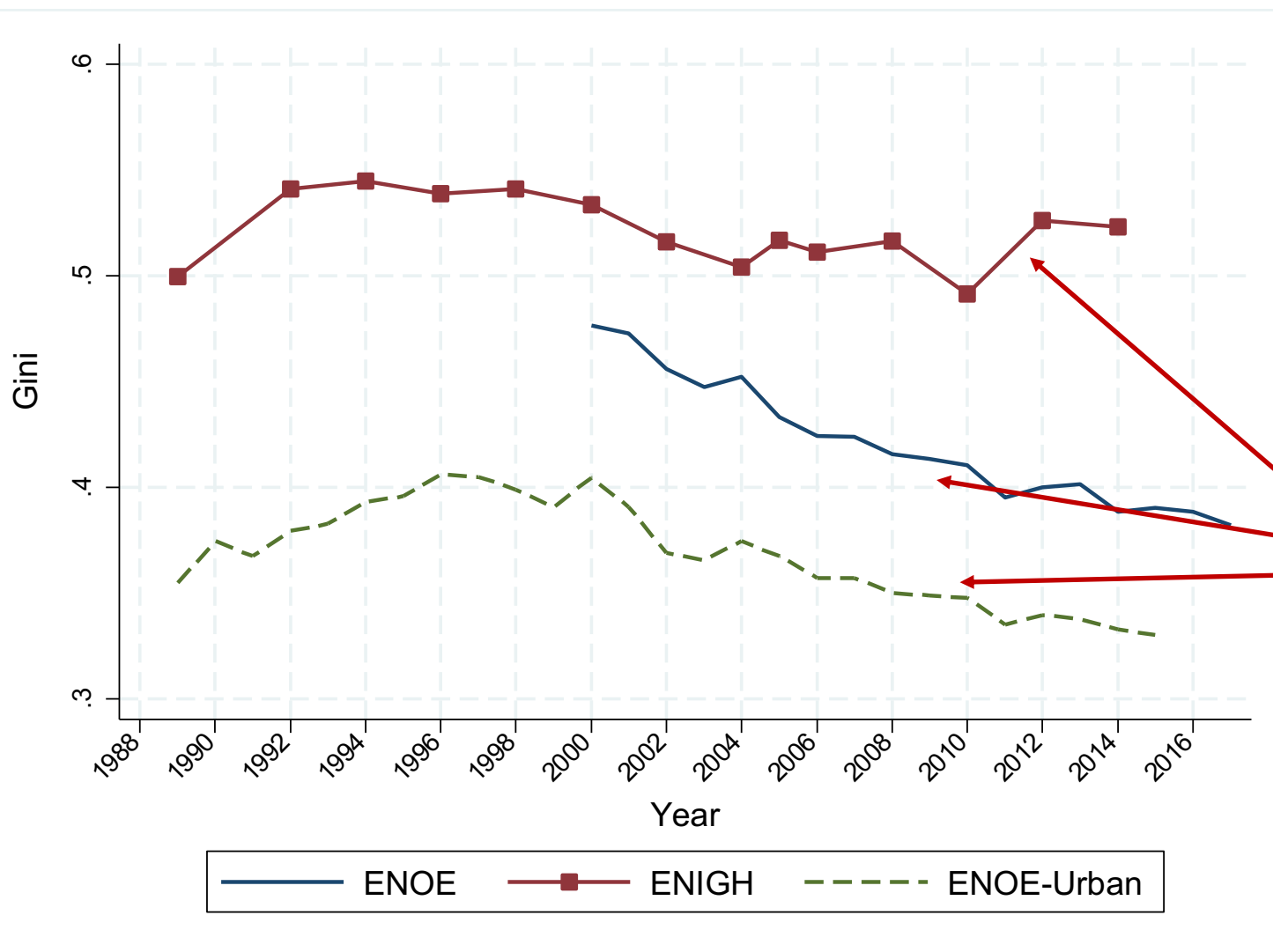


Puzzles solved:
Inequality increased before NAFTA

Inequality declined after NAFTA up to 2006.

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Inequality in labour income



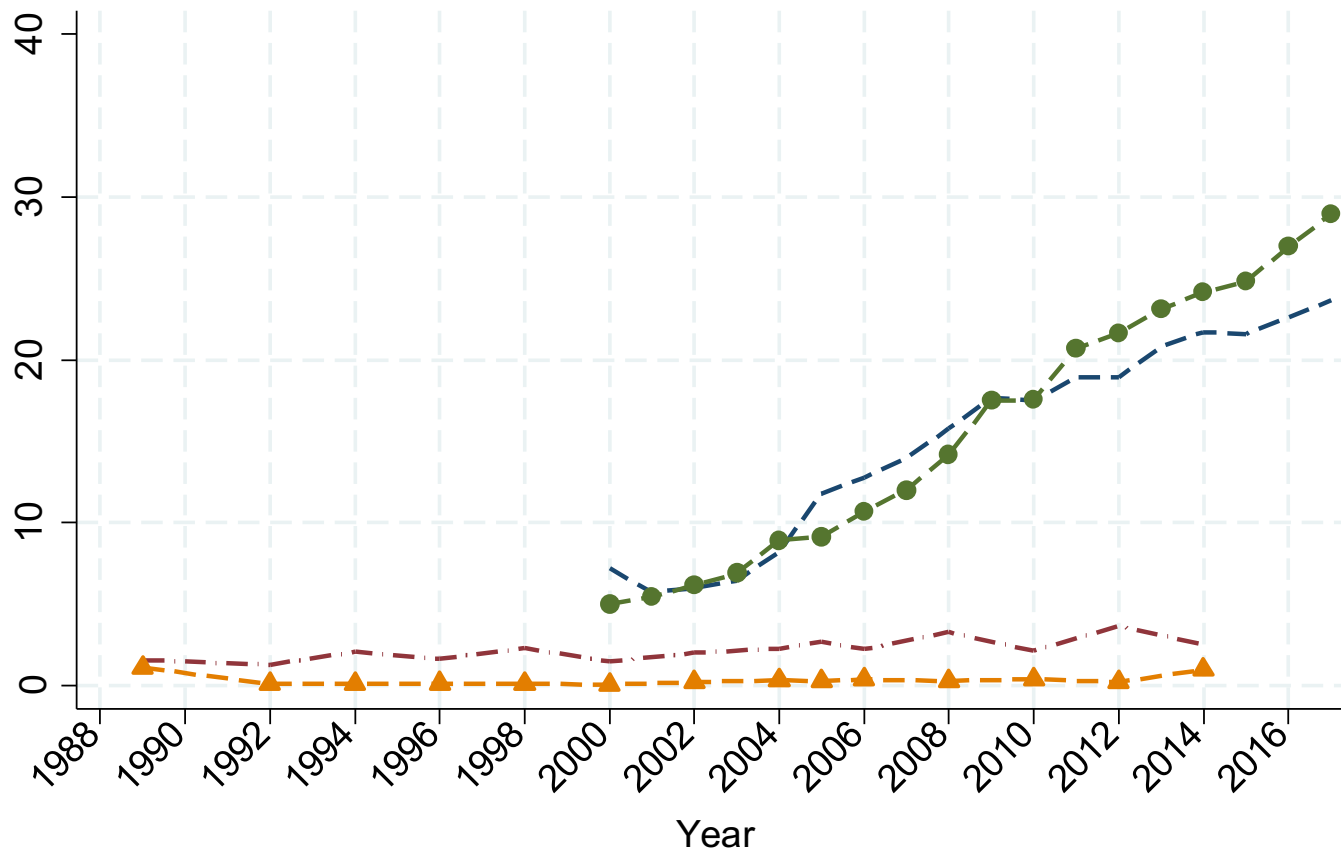
Puzzles solved:
Inequality increased before NAFTA

Inequality declined after NAFTA up to 2006.

Puzzle unsolved:
Inequality in 2006-2016

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.

Problem of item non-response



ENIGH:

(Expenditure-Income Survey)

Not a problem

ENOE:

(Labor Force Survey)

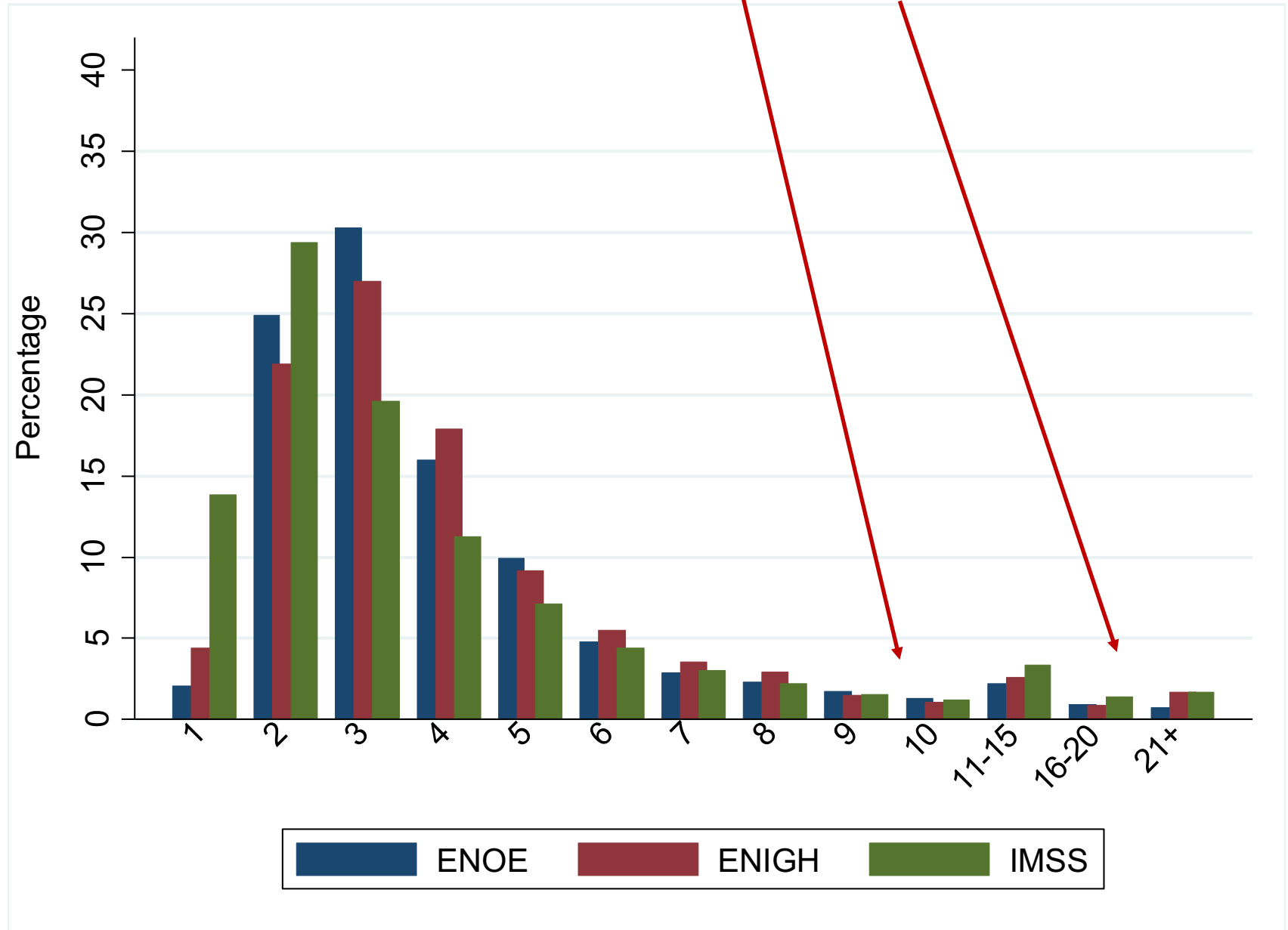
A big problem.

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



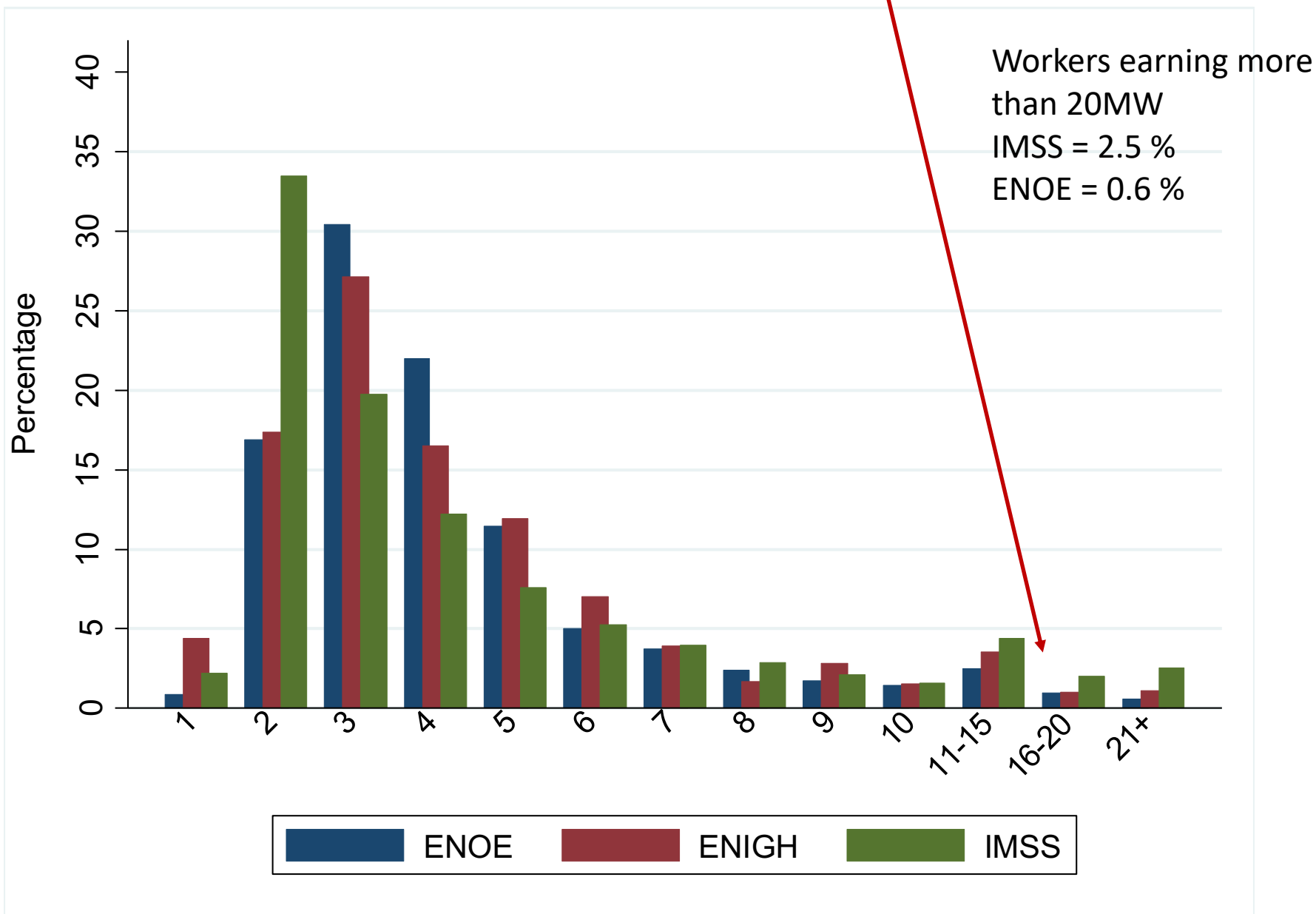
Notes: Authors' construction. Workers aged 20–64 years and with valid working hours. For ENOE we use the second quarter of each year.

In 2000, similar distributions at the top...



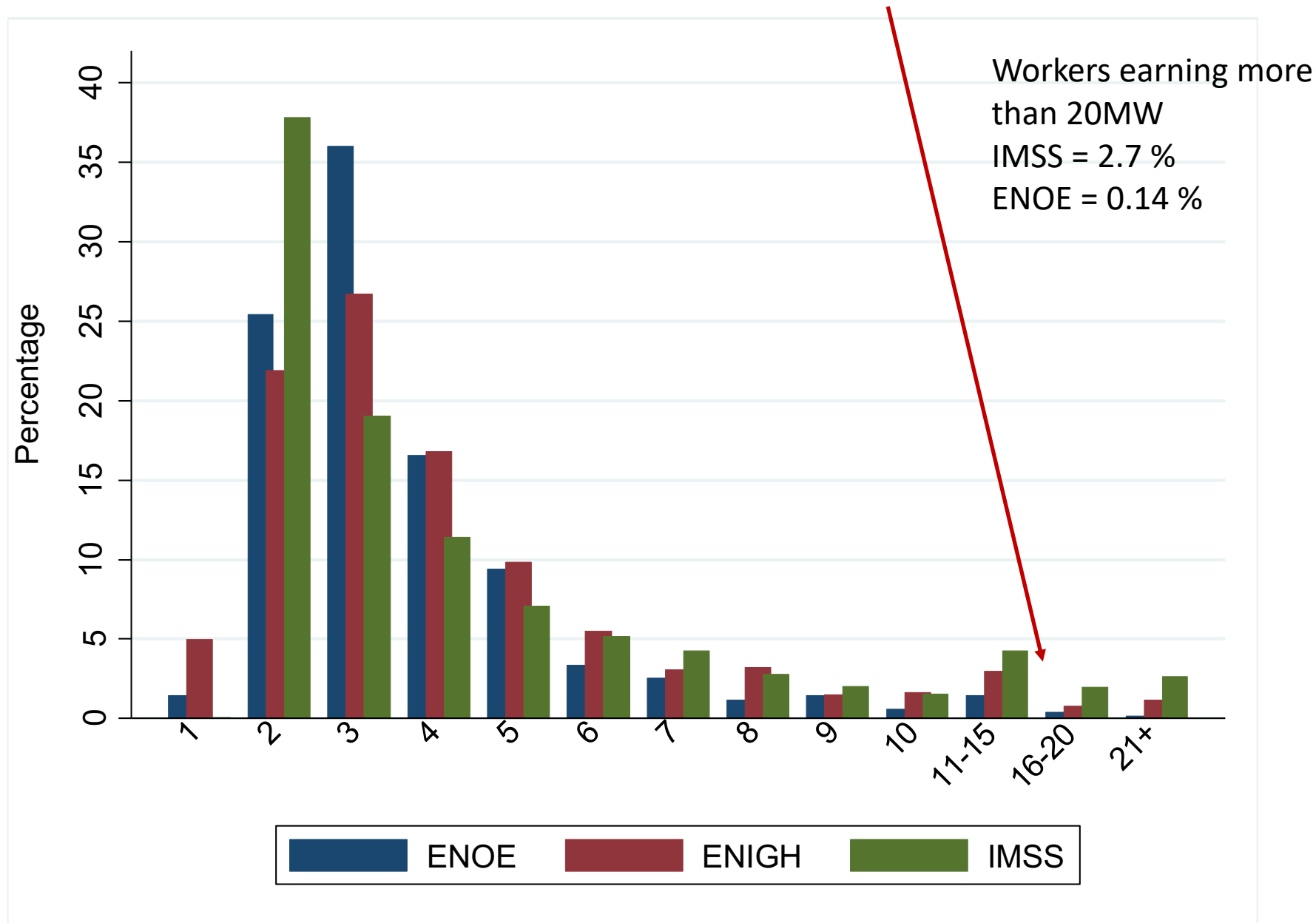
Notes: Authors' construction. Restricted to workers in the formal sector.

In 2010, ENOE underestimates income at the top...



Notes: Authors' construction. Restricted to workers in the formal sector.

In 2017, ENOE underestimates income at the top...



Notes: Authors' construction. Restricted to workers in the formal sector. ENIGH refers to year 2014.

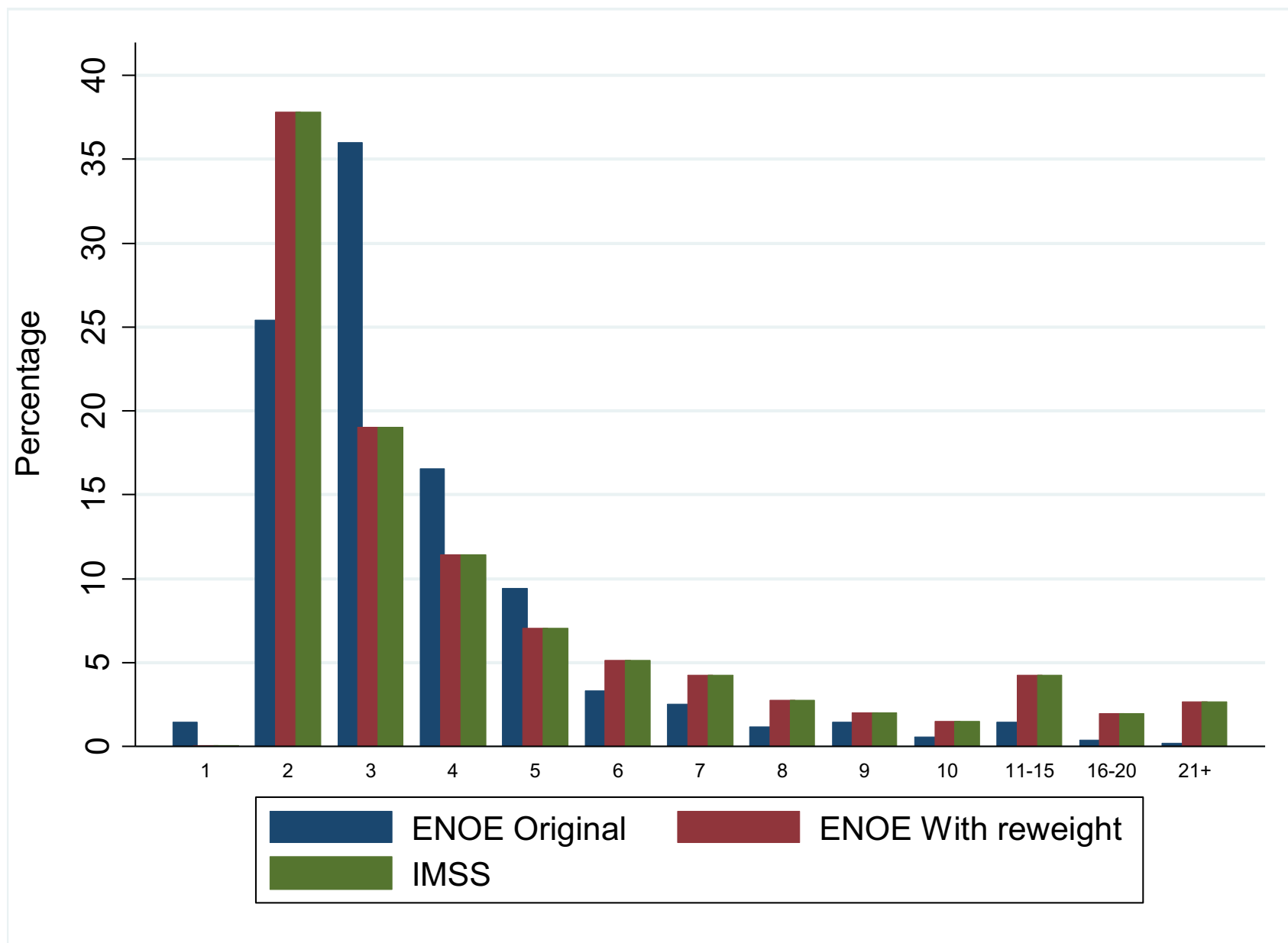
Proposal to solve rising item non-response

- 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

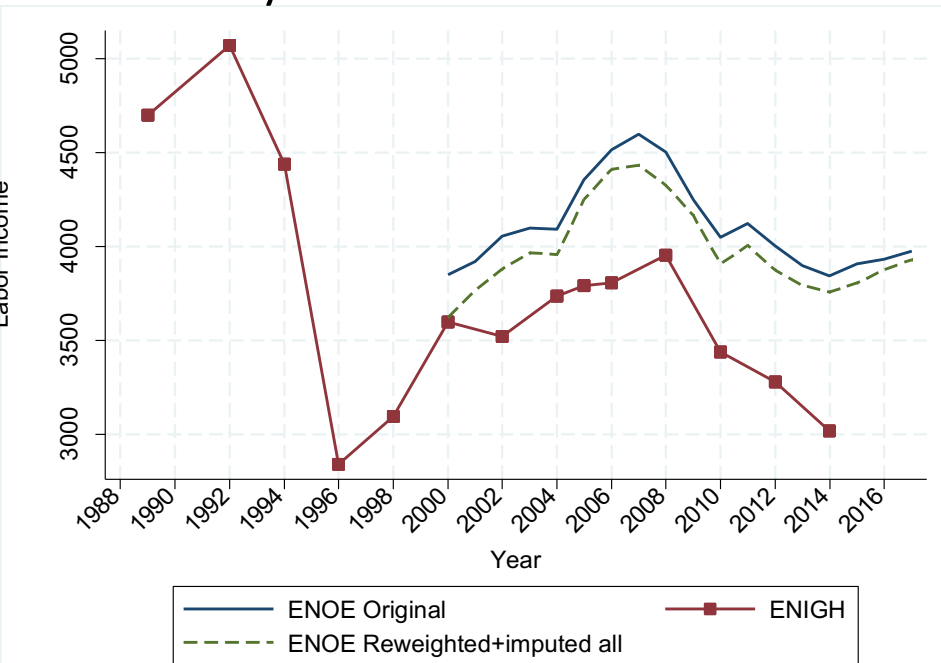


Notes: Authors' construction. Year 2017. Restricted to workers in the formal sector.

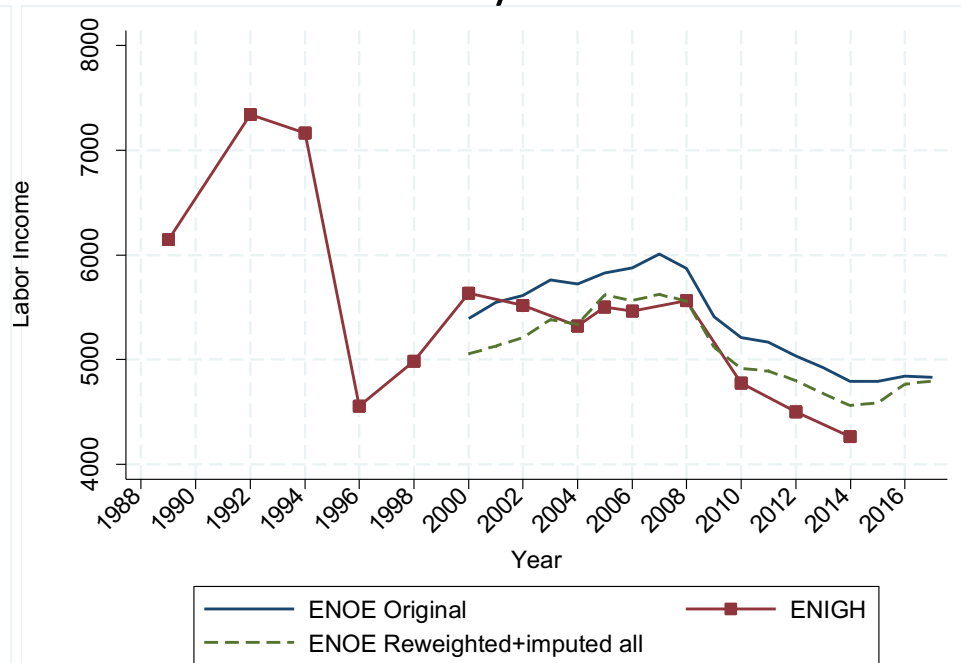
Results

Average monthly labour income

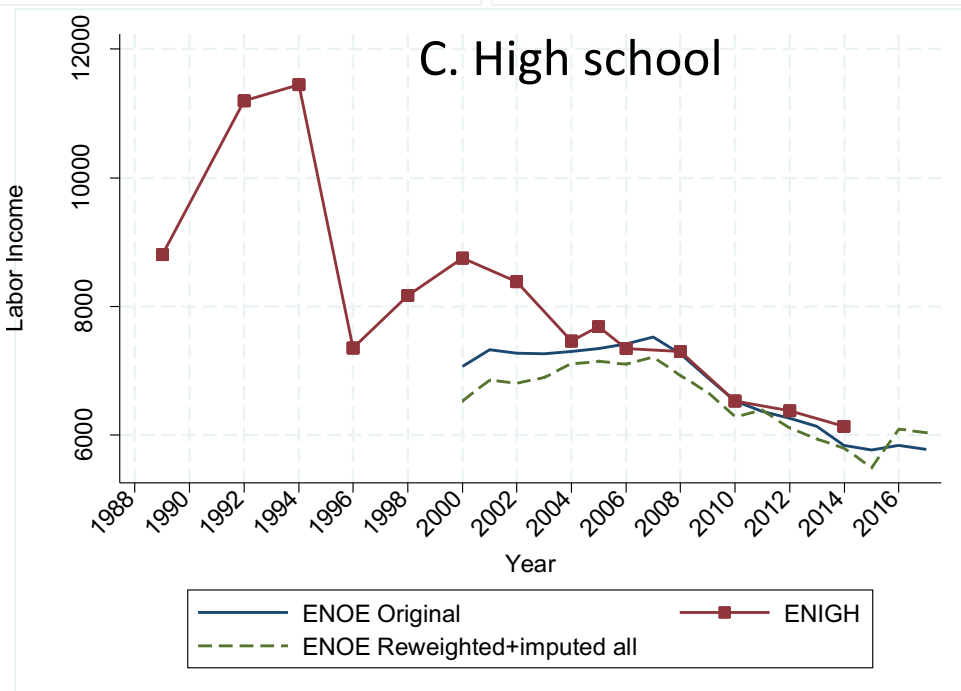
A. Primary or less



B. Lower secondary

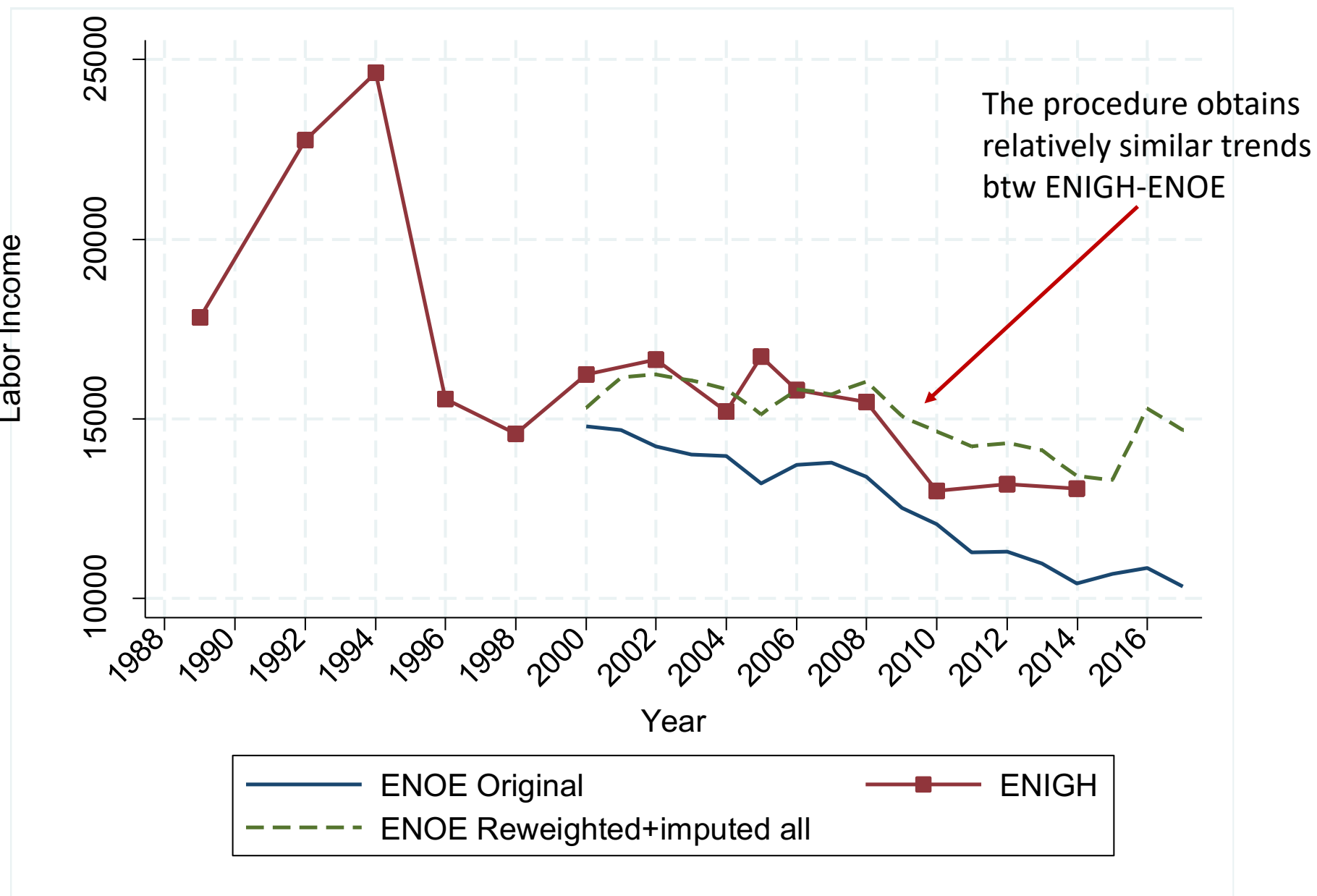


C. High school



Notes: Workers aged 20–64 years. 2015 MXP.

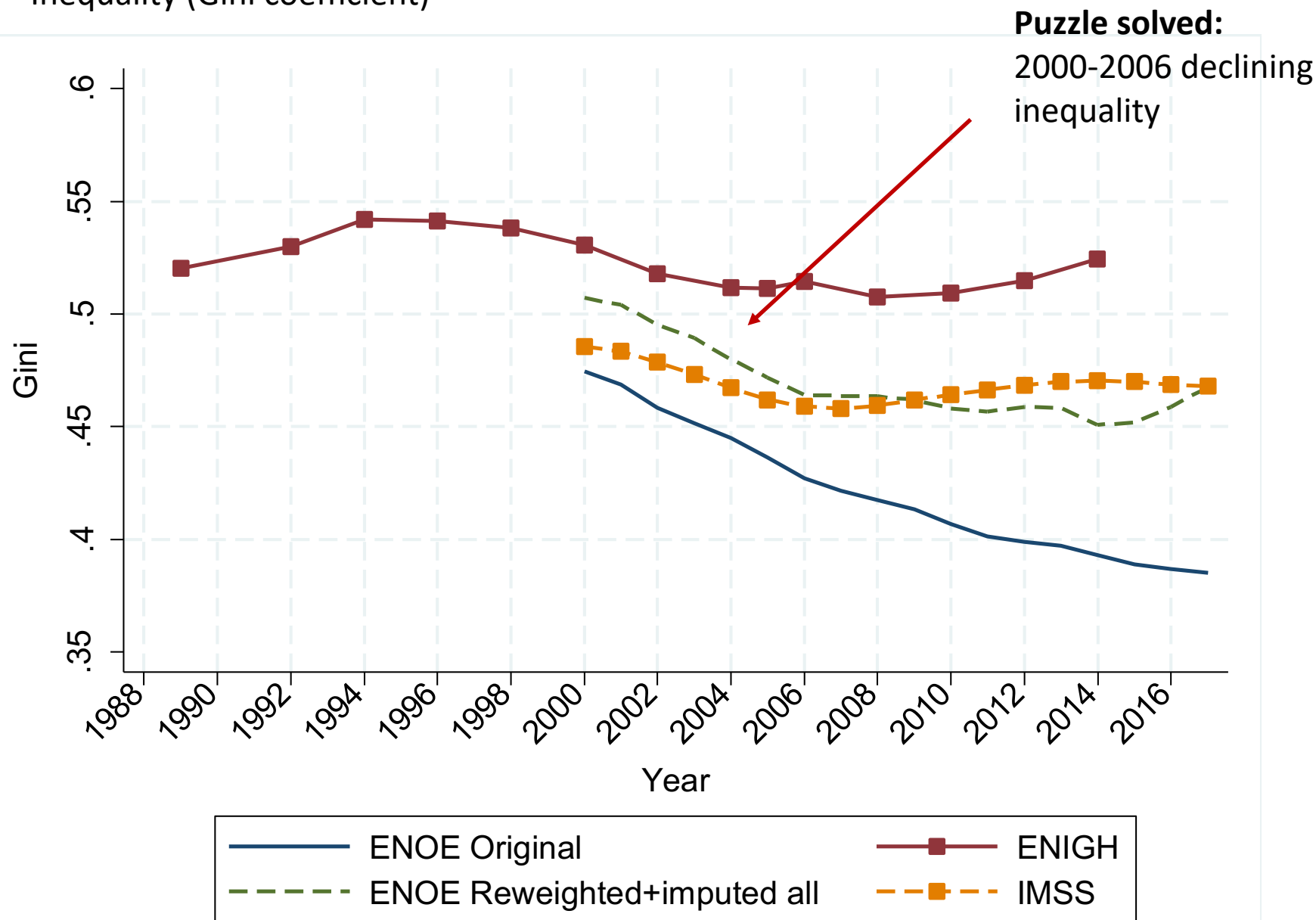
D. College



Notes: Workers aged 20–64 years. 2015 MXP.

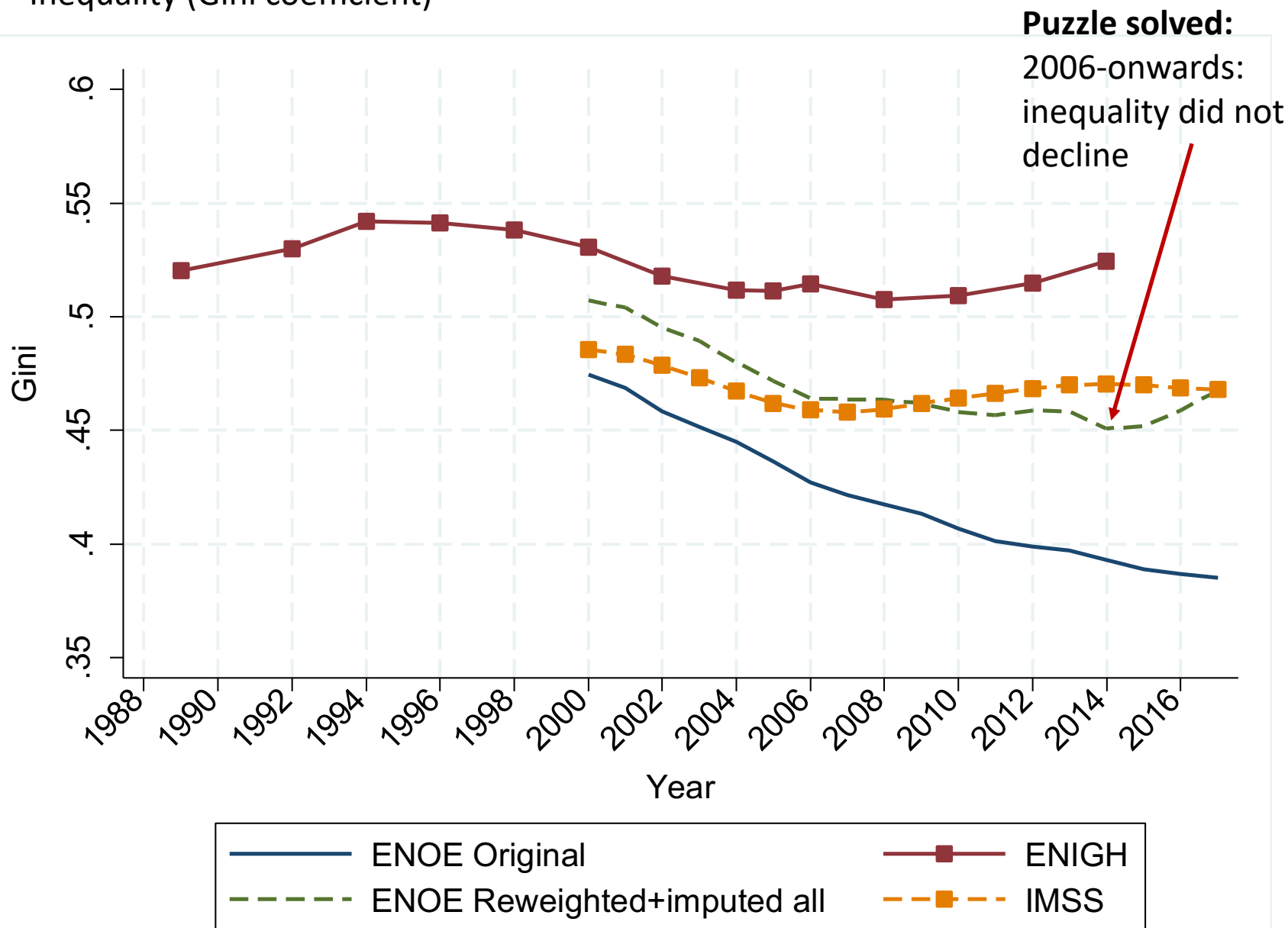
Results Inequality

Inequality (Gini coefficient)



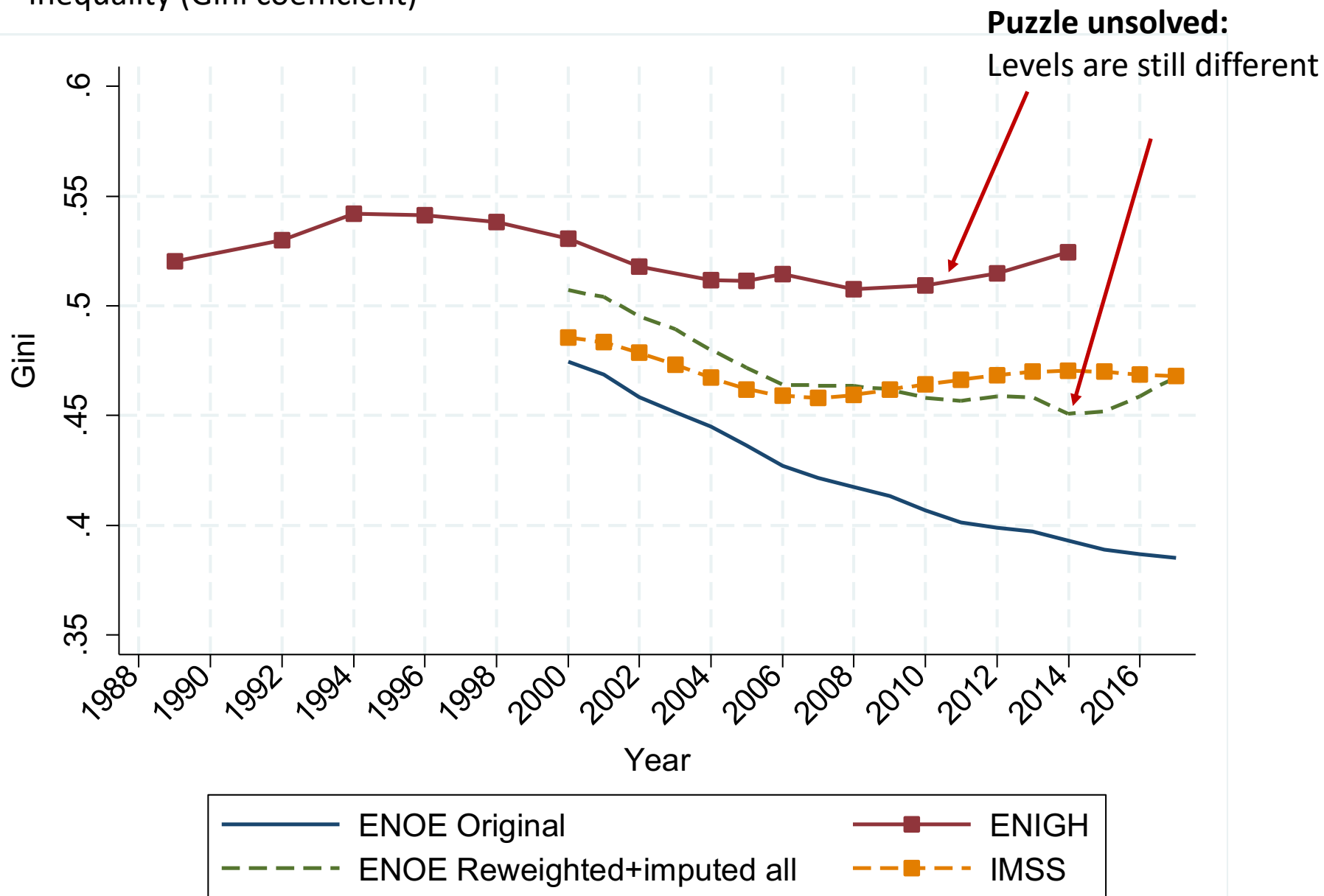
Notes: Workers aged 20–64 years.

Inequality (Gini coefficient)



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Inequality (Gini coefficient)

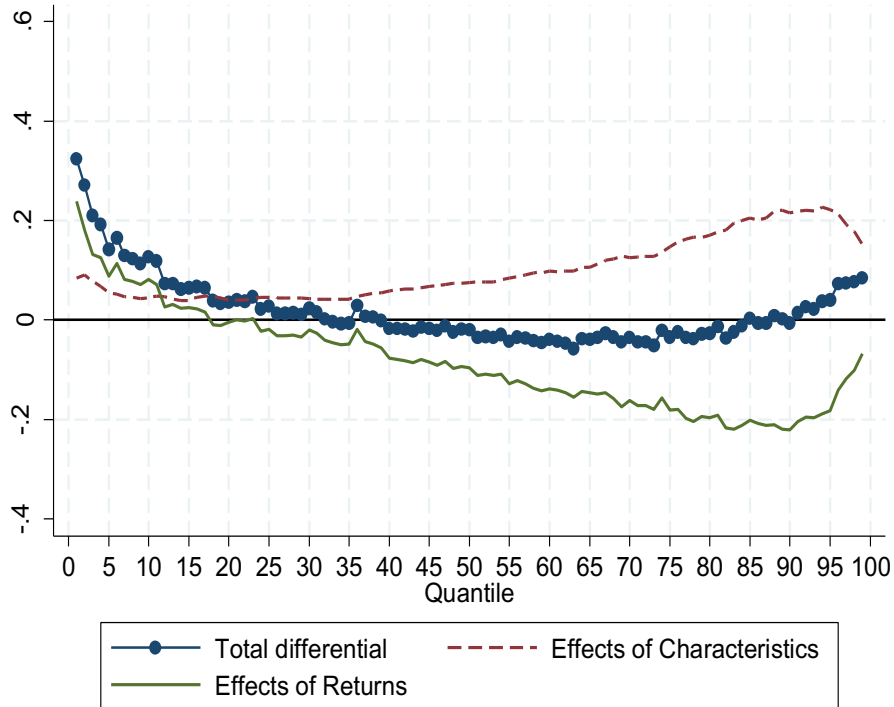


Notes: Workers aged 20–64 years.

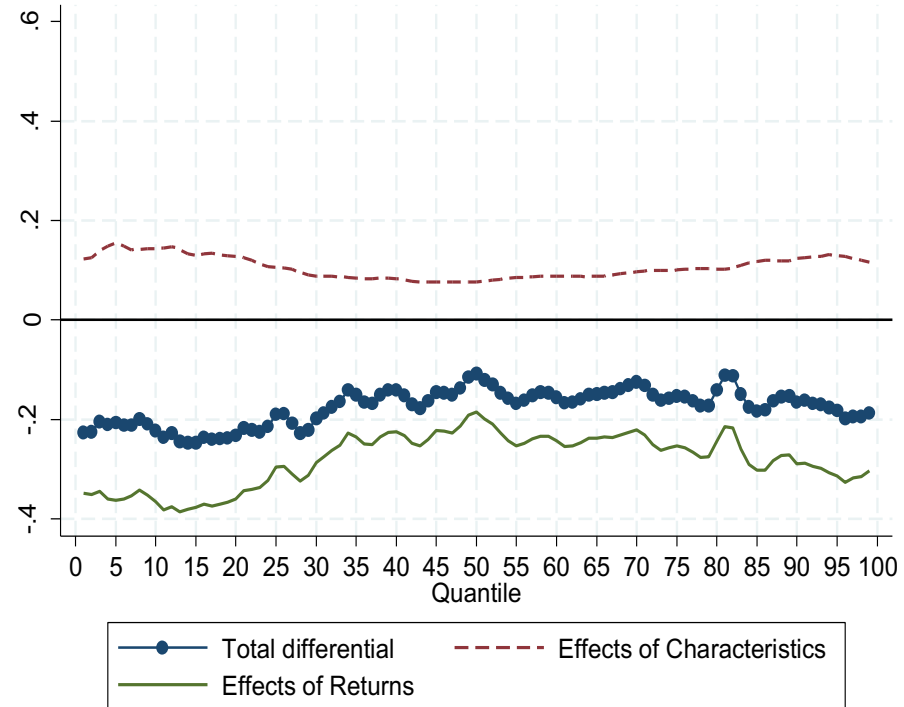
Puzzle unsolved 2006-2017:

Inequality stagnated ENOE, increased in ENIGH. Sources different

A. ENOE



B. ENIGH



Notes: RIF decomposition method proposed by Firpo et al. (2009). Workers aged 20–64 years.