

Analysis by Age and Socioeconomic Status of the Public Transfers in Mexico

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Agenda

- Inequality
- Public transfers
- Methodology
- Results
- Conclusions

Inequality

Current Monetary Income

Mexico 1994 vs. 2004

Decile	1994*		2004*	
	Households	<i>Per capita</i>	Households	<i>Per capita</i>
I	0.9	0.5	1.4	0.7
II	2.0	1.2	3.8	2.3
III	3.5	2.2	5.0	3.6
IV	4.2	3.1	6.8	4.7
V	5.8	4.4	7.4	5.8
VI	6.2	5.5	8.0	7.3
VII	8.3	7.8	9.0	8.8
VIII	9.8	9.3	11.0	11.0
IX	14.7	15.2	13.6	15.9
X	44.6	50.6	33.9	39.9
Total	100	100	100	100
N (million pesos)	60,724		237,861	

* *Winzorized values with p=0.1%.*

“Clasemediero”

Poor no more, developed not yet!



Authors: Luis de la Calle and Luis Rubio

1. Reduction in fertility rates and demographic dividend
2. Macroeconomic stability
3. Trade and economic liberalization (NAFTA)
4. Expansion of educational and health services, and implementation of public programs to alleviate poverty

Indicators:

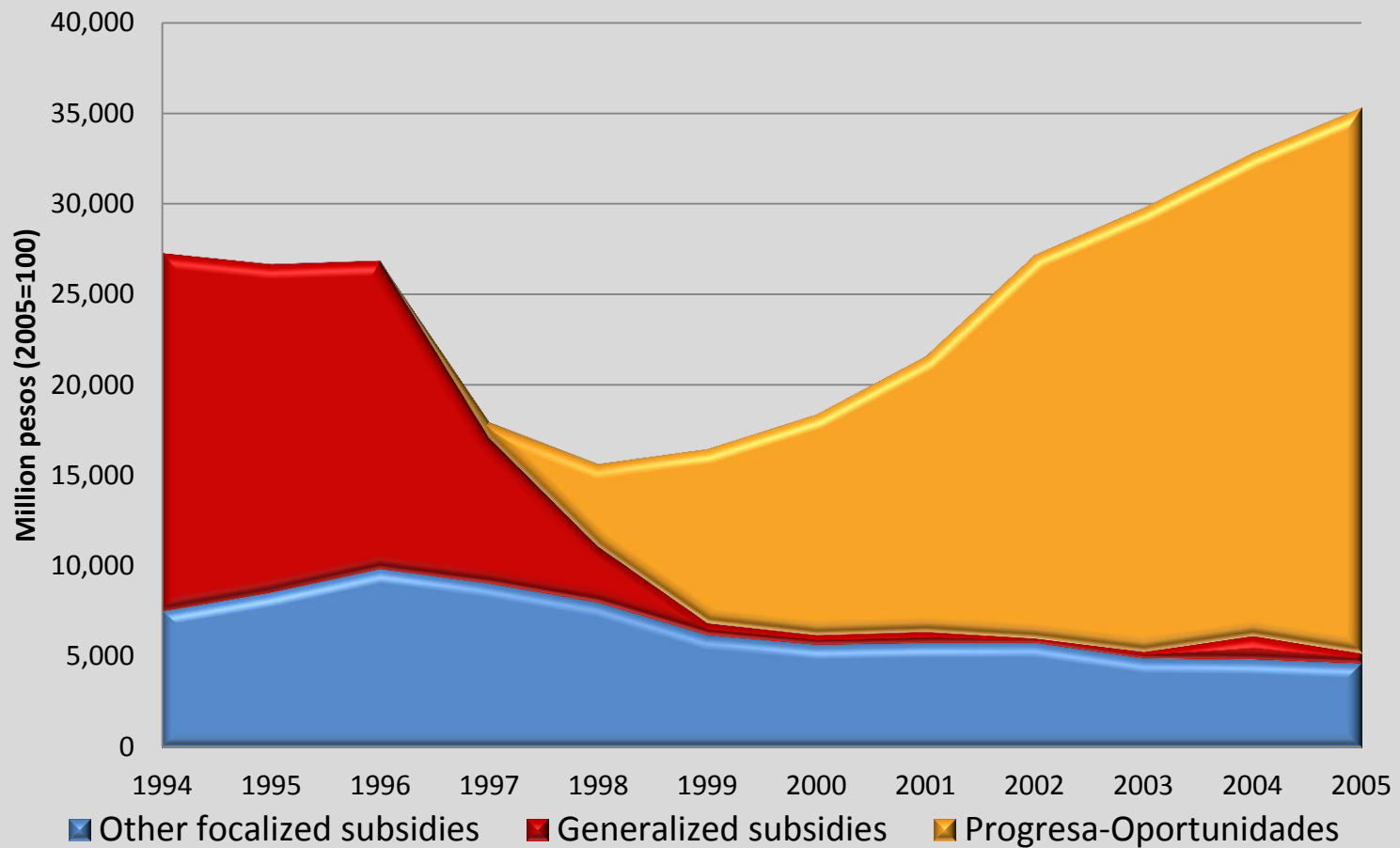
- ❑ Female labor force participation (1991 vs. 2008):
 - 35% → 44%
- ❑ Per capita consumption of meat (in kg): 1990 vs. 2008
 - Chicken: 7.7 → 28.1
 - Beef: 9.4 → 15.0
 - Pork: 10.4 → 15.0
- ❑ Increase in household tenure: 1950 vs. 2000
 - Owned: 64% → 79%
 - Not Owned: 36% → 21%
- ❑ Automobiles (millions): 1980 vs. 2008
 - 4.0 → 19.3

Public Transfers

Structure of Public Transfers in Mexico

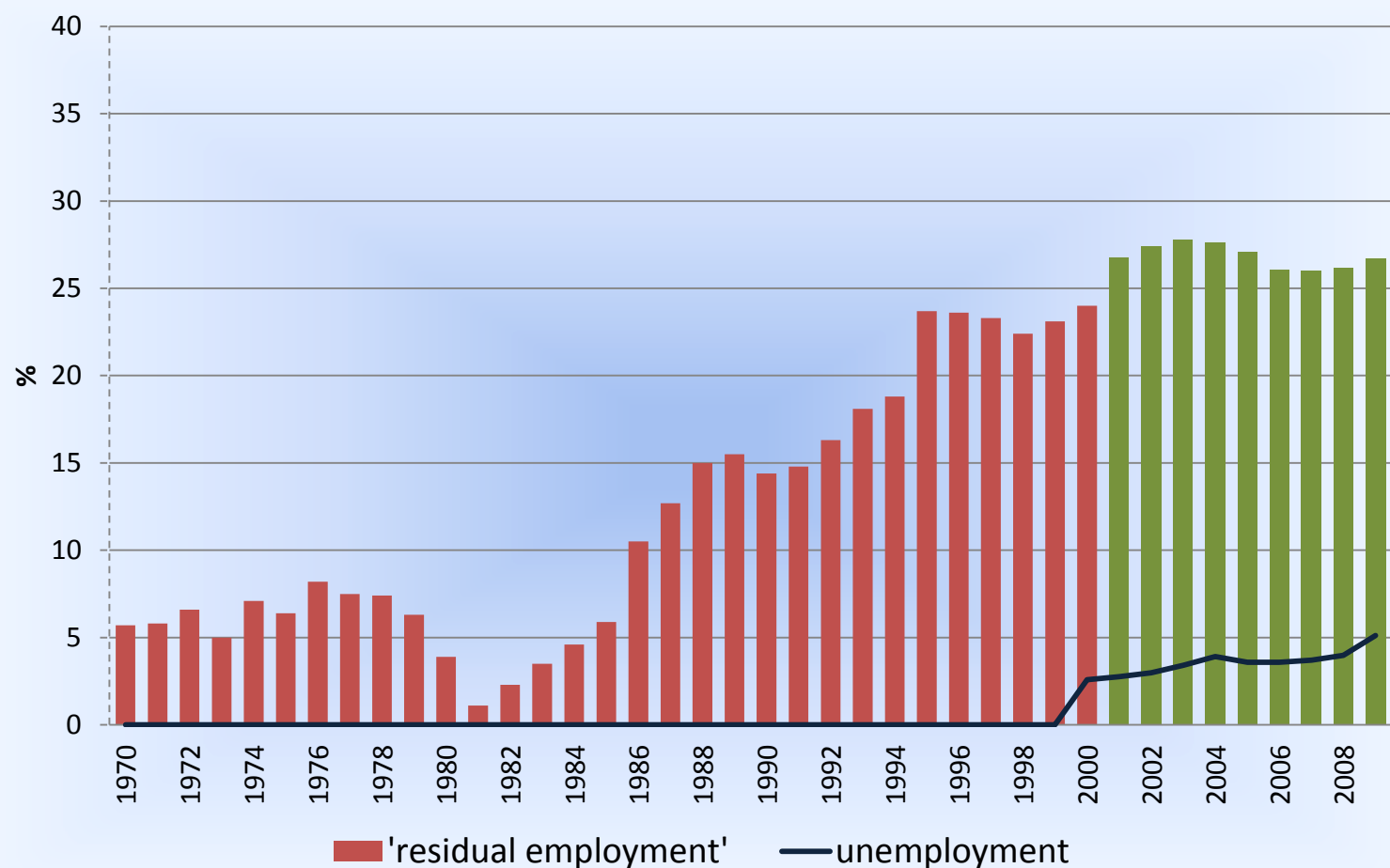
Inflows	Outflows
<ul style="list-style-type: none"> 1) Taxes <ul style="list-style-type: none"> a) Income (ISR) a) VAT a) Excise (IEPS) a) Tenencia a) ISAN* a) Other 1) Social security contributions (SSC) 	<ul style="list-style-type: none"> 1) In-kind <ul style="list-style-type: none"> a) Education a) Health a) Other 1) Cash <ul style="list-style-type: none"> a) <i>Progres-a-Oportunidades*</i> a) <i>Procampo</i> a) Other

Progres-Oportunidades vs. Other Subsidy Programs



Source: Own with information from SHCP

'Residual employment' and unemployment (% of the WAP)



Source: Own based on Hernández-Laos (2004) from 1970-2000, and information from INEGI.

Methodology

Two approaches:

- Socioeconomic status (SES)
 - KEY variable: level of education of the household head.
- Consumption deciles
 - KEY variable: private consumption as defined in NTA.

Maximum level of Education of the household

2004		1994		Years of instruction
Level of instruction	Grade	Level of instruction		
None	0	None		0
Kidergarden	1-3			0
Primary	1-6	Incomplete Primary		1-6
		Complete Primary		
Lower secondary	1-3	Incomplete Secondary		7-9
		Complete Secondary		
Upper secondary	1-3	Incomplete Upper Secondary		10-12
		Complete Upper Secondary		
'Normal'	1-4	Incomplete 'Normal'		10-13 / 13-16
		Normal completa		
Technical education	1-4	Technical education		7-10 / 10-13 / 13-16
Undergraduate	1-6	Incomplete Undergraduate		13-18
		Undergraduate		
Master	1-4			19-20
PhD	1-3	Graduate		21-23

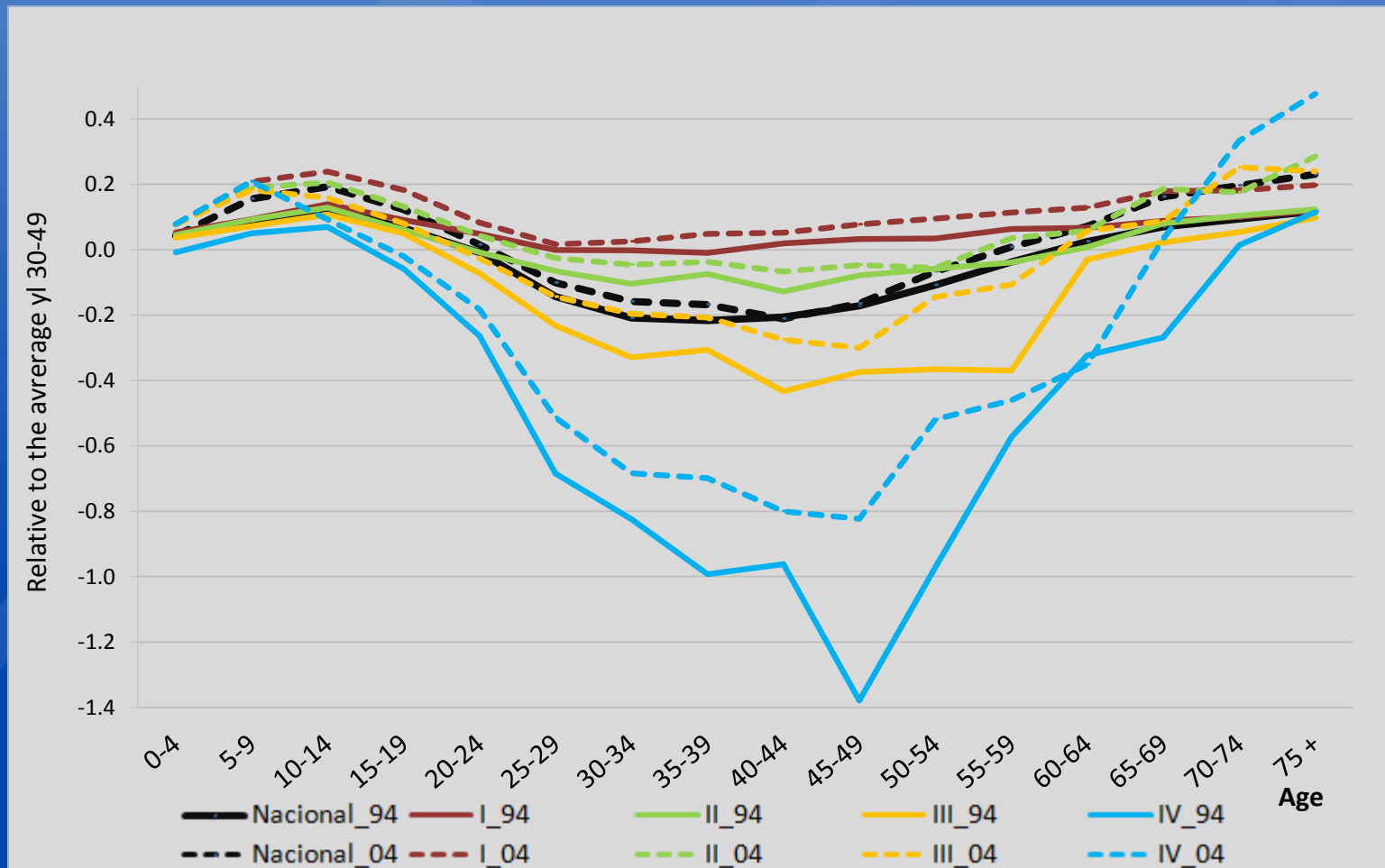
Level of Education of the HH

Stratum	Level of education	Years of instruction
I	None, kindergarden or incomplete primary	[0-6)
II	Primary or incomplete lower secondary	[6-9)
III	Lower secondary or incomplete upper secondary	[9-16)
IV	Unddergraduate, Master or PhD	16 and more

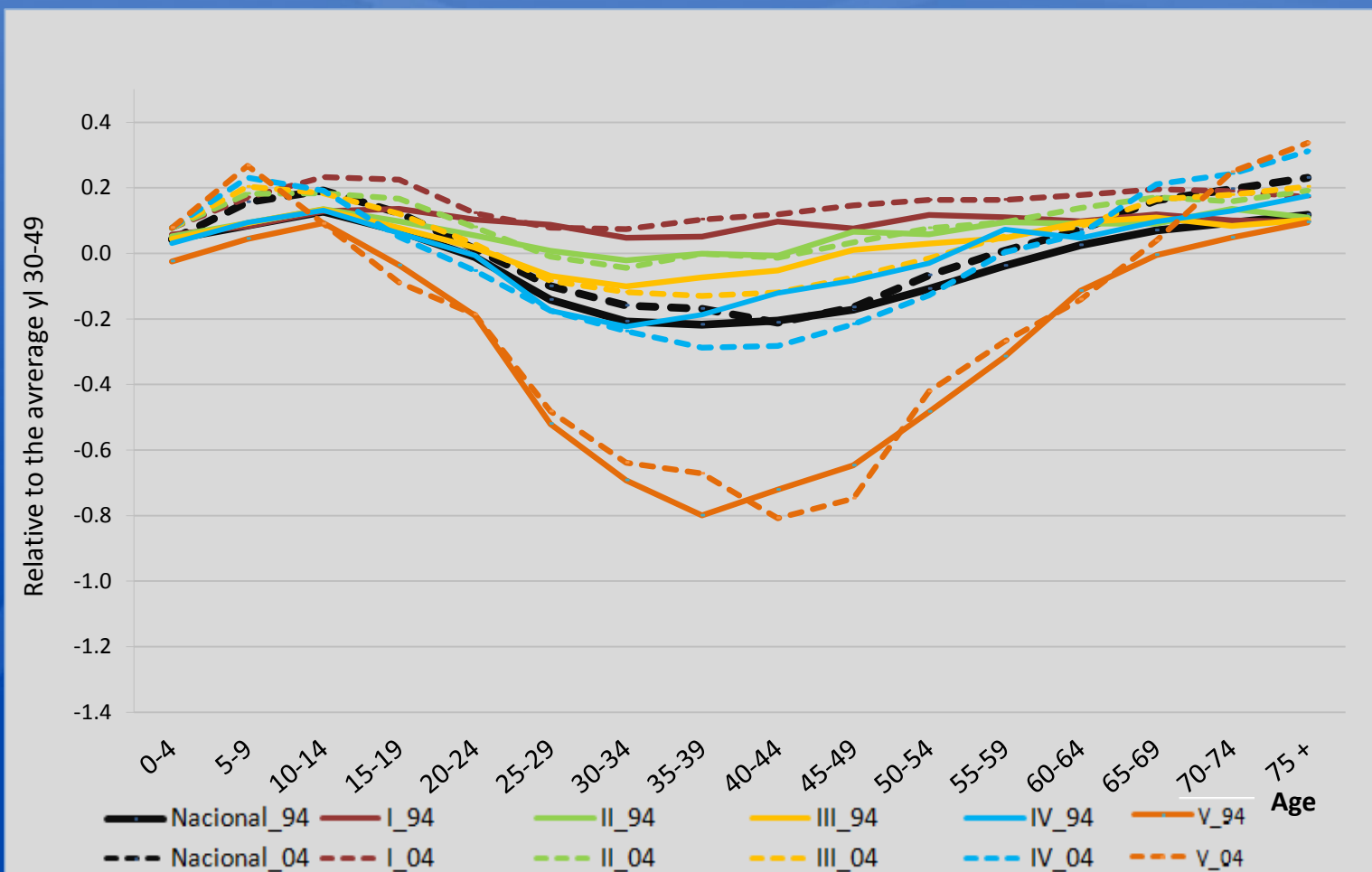
Results

Net public transfers by age and SES

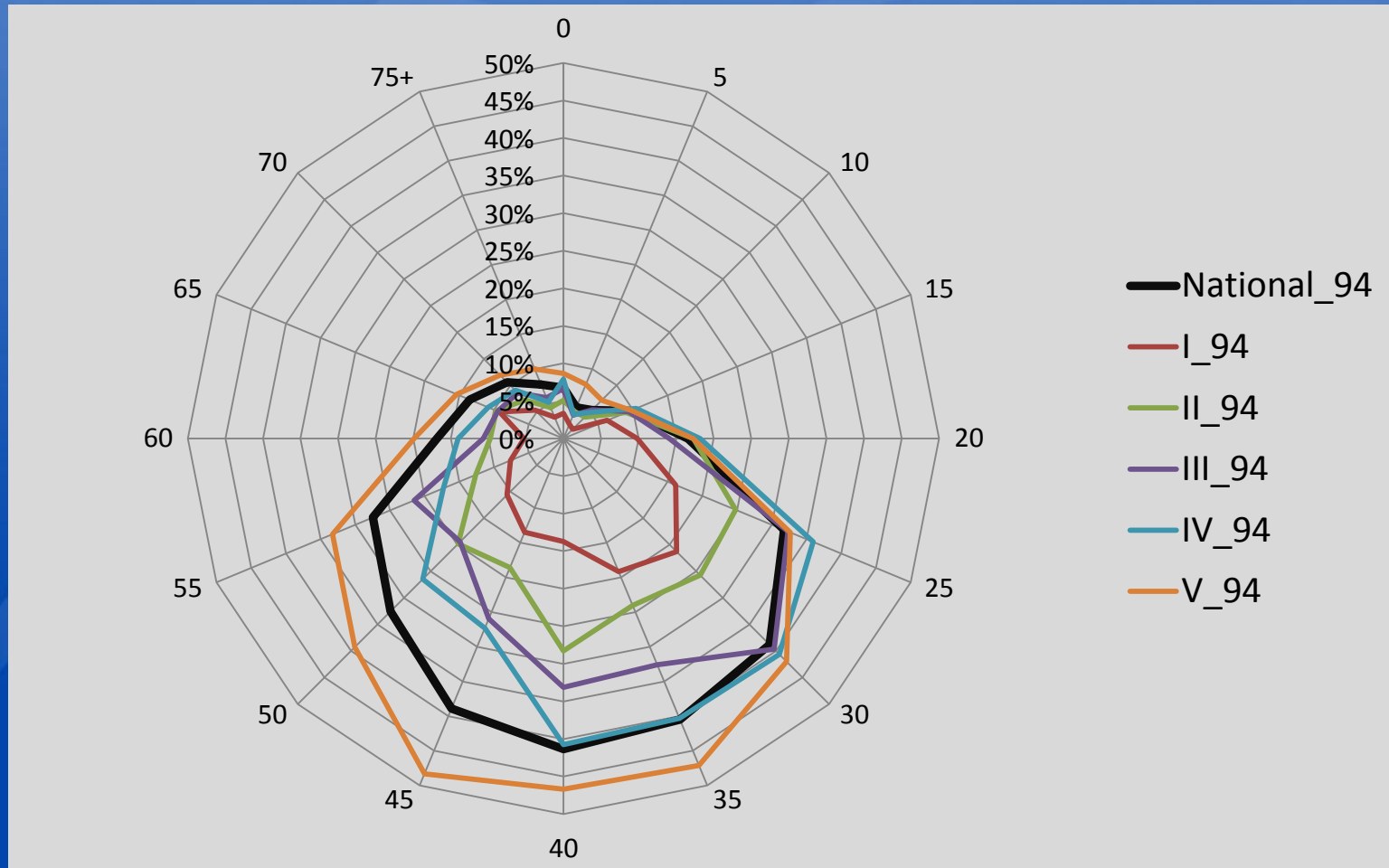
1994 vs. 2004



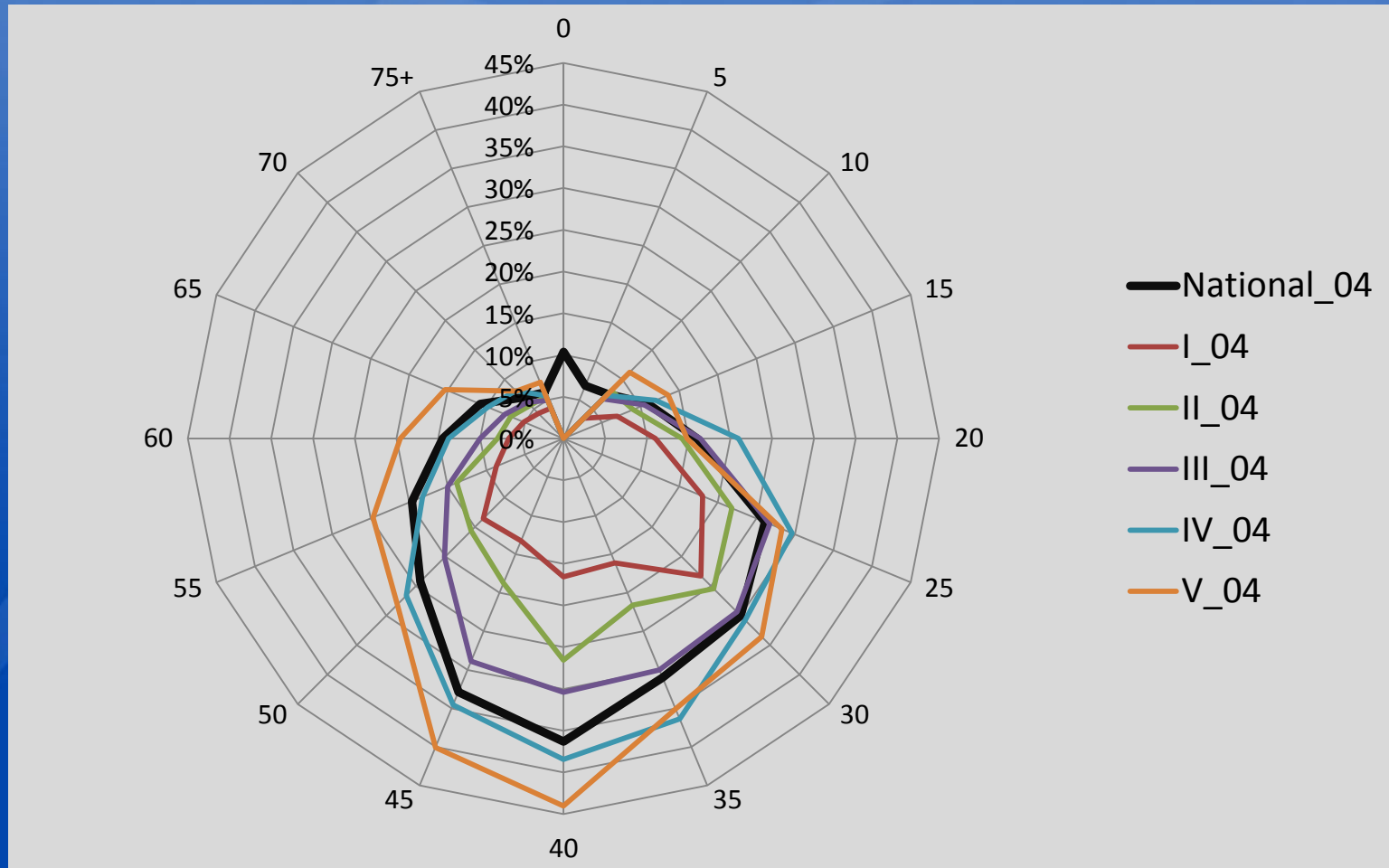
Net public transfers by age and consumption quintiles 1994 vs. 2004



Incidence of taxes by age and consumption quintiles 1994



Incidence of taxes by age and consumption quintiles 2004



Conclusions

- Mexico is not a poor country!
- Middle class has been increased in recent times, according to many indicators.
- BUT, inequality is still persistent, though declining slowly.
- It seems that the new strategy against poverty has benefitted economic dependend groups mostly: children and elderly
- There is evidence about progresivity in the tax policy, but regresivity in the transfer benefits.
- Public cash transfer programs and in-kind transfers have benefitted mostly to depended groups.

Thank you!

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Eighth Meeting of the Working Group on Macroeconomic Aspects of
Intergenerational Transfers, Brazil,
December 8th 2011

