National Transfer Accounts in Mexico

Policy implications: labor market

Iván Mejía Guevara
imejiag@stanford.edu
Stanford University

12th Global Meeting of the NTA Network, Mexico City, July 23-27, 2018
1. National Transfer Accounts (NTA)
Background

• Mexico is an NTA member since 2007-08.

• National Population Council (CONAPO): Lic. Patricia Chemor

• Latin American and Caribbean Demographic Centre (CELADE-CEPAL): Dr. Paulo Saad

• CEDA (Dr. Ronald Lee), East-West Center (Dr. Andrew Mason), IDRC, UC-Mexus Conacyt
Data

- National Income and Expenditure Surveys (ENIGH-INEGI)
- System of National Accounts (SCNM – INEGI)
- Administrative records (Cuenta Pública – SHCP)
Three main components of NTA

1. Life-cycle deficit (labor income and consumption)
2. Net transfers (public and private)
3. Asset-based reallocations (asset income and savings)
Average Labor Income by Age

Mexico 2014

- Compensation of Employees
- Self-employment labor income
Average Labor Income and Consumption

Mexico 2014

• Private and public consumption:
  Education
  Health
  Other

Labor income
Consumption

Age

Mexican Pesos

0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90

-120,000
-80,000
-40,000
0
40,000
80,000
120,000
160,000

NTA
Economic Life-cycle Deficit

Mexico 2014

- Deficit
- Consumption
- Labor income

Mexican Pesos vs. Age

Surplus

0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90

0 40,000 80,000 120,000 160,000

Mexican Pesos
• Other sources, other than labor income, are needed to finance the deficit of young and elderly.
Economic Life-cycle Deficit

**Mexico 2014**

Net private transfers:
- Inter-household transfers
- Intra-household transfers
- Remittances

**Life-cycle deficit**
Economic Life-cycle Deficit

Mexico 2014

- Net public transfers:
  - Taxes (ISR, IVA, IEPS)
  - Social security contributions
  - Cash transfers (Próspera, etc.)

- Net private transfers
Economic Life-cycle Deficit

Mexico 2014

- Life-cycle deficit
- Asset-based reallocations
- Net total transfers

- ABRs
- Asset income (private, public - PEMEX)
- Saving (private, public)
2. Policy Implications: Labor market
Sustainable Development Goals (Goal 8)

Promote inclusive and sustainable economic growth, employment and decent work for all
Labor Income and Consumption

Relative to average labor income (15-49)
Labor Income and Consumption

Relative to average labor income (15-49)

Mexico 2014

Lower-middle-income countries 2006
Compensation of Employees relative to GDP

OECD* 2011

Source: Samaniego, 2014 with data from OECD.Stat
Compensation of Employees relative to GDP

Source: Samaniego, 2014 with data from OECD.Stat
Compensation of Employees relative to GDP

Mexico 1970-2012

Source: Samaniego, 2014 with data from OECD.Stat
Labor income and consumption over time

Relative to average consumption 30-49

Labor income and consumption over time

Labor income and consumption over time

Relative to average consumption 30-49

Labor income and consumption over time

Compensation of employees relative to GDP

Mexico 1970-2012

Low economic growth, structural change, and globalization

Source: Samaniego, 2014 with data from OECD.Stat
Compensation of employees relative to GDP

Mexico 1970-2012

Abrupt decline in real wages that never recover the levels before 1980

Source: Samaniego, 2014 with data from OECD.Stat
Compensation of employees relative to GDP

Source: Samaniego, 2014 with data from OECD.Stat

Mexico 1970-2012

Consistent decline in formal employment

Economic crisis: 1982
Economic crisis: 1994-95
Economic recession: 2001
Financial crisis: 2009
In 2013, the informal sector is the main source of employment.

Source: OIT 2014 with information from INEGI
Regional differences in Labor Income (and consumption?)

Substantive impact in the age allocation of income across regions

- Chiapas
- Estado de México
- Nacional
Labor market is under constant pressure

- Significant increase in the size of the informal sector

- Young people looking for ‘better’ opportunities (abroad, violence)

- Stagnant productivity and unemployment

- Important increase in the number of young people who neither study nor work
Policy challenges

- New policies oriented to attract workers and business into the formal economy
- Strengthening of productive investment in areas of higher value-added sectors
- Educational expansion
- Insertion in the global economy that generates growth and redistribution at the same time
3. Additional considerations: Inequalities
SDG 5: Achieve gender equality and empower all women and girls

Mexico 2014

Age

Mexican Pesos

Men

All

Women
SDG 10: Reduce inequality among and within countries

Mexico 2014
Thank you