

Economic Inequality and Intergenerational Transfers: evidence from Mexico

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Ninth Meeting of the Working Group on Macroeconomic Aspects of
Intergenerational Transfers, Barcelona
June 3 2013

Acknowledgement

National Institute on Aging: NIA, R37-AG025488 and NIA, R01-AG025247

- Andrew Mason
- Ronald Lee

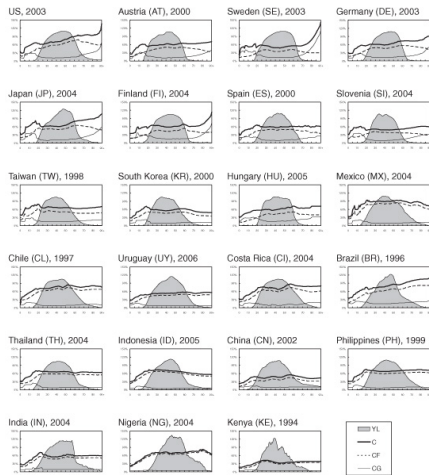
IDRC/ECLAC

- Edgard Rodríguez, Tim Miller, Paulo Saad

- Introduction
- Methodology
- NTA by SES: Mexico 2004
- NTA by SES: Mexico 1994 vs. 2004
- Conclusions
- Appendix

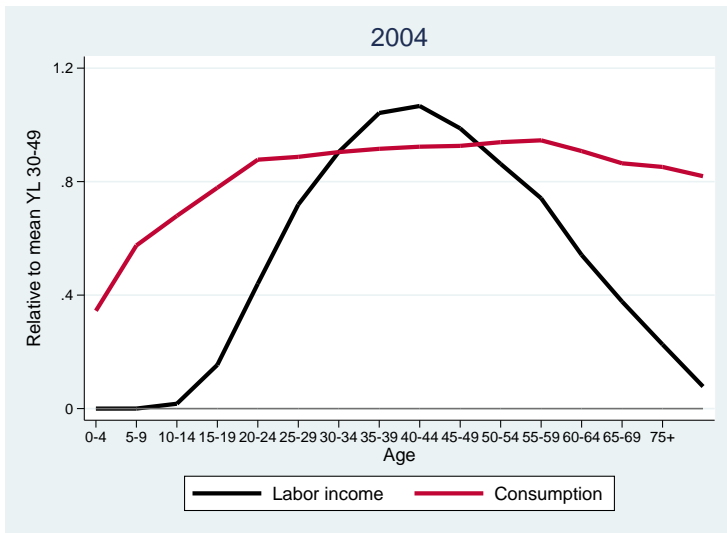
Introduction

Per capita labor income and consumption: 23 economies around 2000



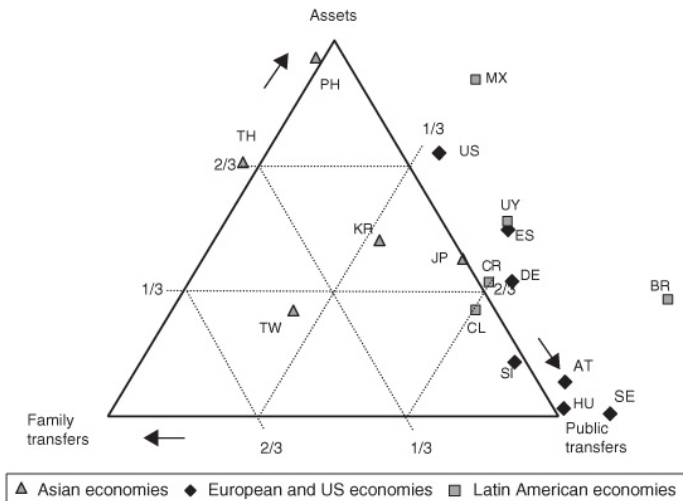
Note: Values are normalized by mean labor income of ages 30-49 in each economy.

Lifecycle deficit: Mexico 2004



Source: Mejía-Guevara (2011).

Funding sources for persons 65 and older



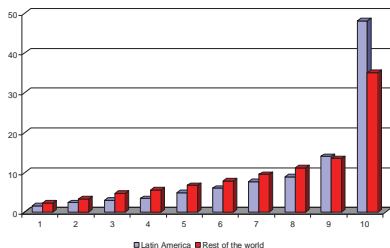
Note: See Figure 1.5 for the names associated with the abbreviations.

- It has the potential to undermine the economic prosperity of nations and their political stability (Stiglitz, 2012)
 - “There is little income mobility – the notion of America as a land of opportunity is a myth.”
 - “And America has more inequality than any other advanced industrialized country...”
- Latin America has been traditionally regarded as the most unequal region of the world (Gasparini et al., 2010; Gasparini and Lustig, 2011)
- “Rent seeking: Mexico”
 - Extreme wealth and corporate control in the business sector: Monopolistic corporations (PEMEX, TELCEL, TELMEX, TELEVISA, etc...)
 - Groups that were part of Mexico’s corporatist inheritance: Unions (Education, PEMEX, Electricity, etc...)

Inequality in Latin America and the World

Inequality in Latin America and the world

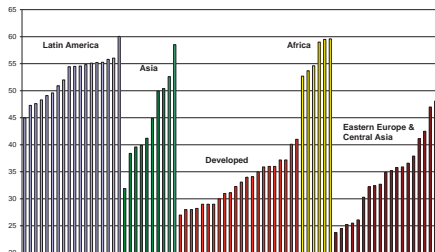
Share of deciles in income distribution



Source: Gasparini (2004) based on Bourguignon and Morrison (2002).

Gini coefficients

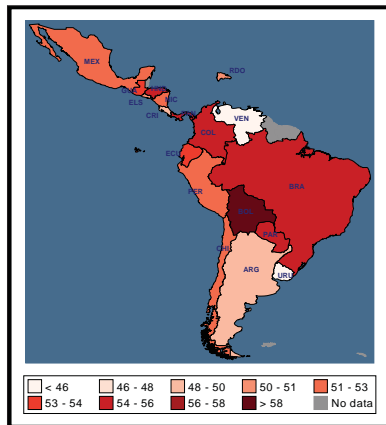
Countries around the world



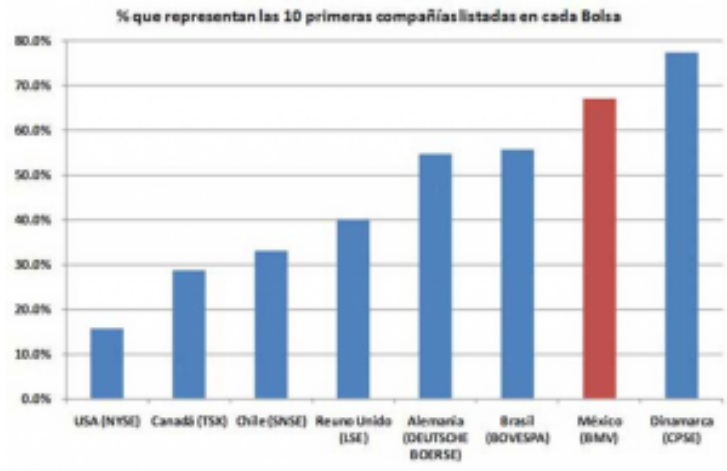
Source: Gasparini *et al.* (2010).

Inequality in Latin America

A map of inequality in Latin America
Gini coefficient
Distribution of household per capita income
Around 2006



BMV: Concentration



Fuente: Capital IQ / BMV / Banamex Accival.

Good news?

- Reduction of inequality in Latin America during the 2000s (Gasparini and Lustig, 2011)

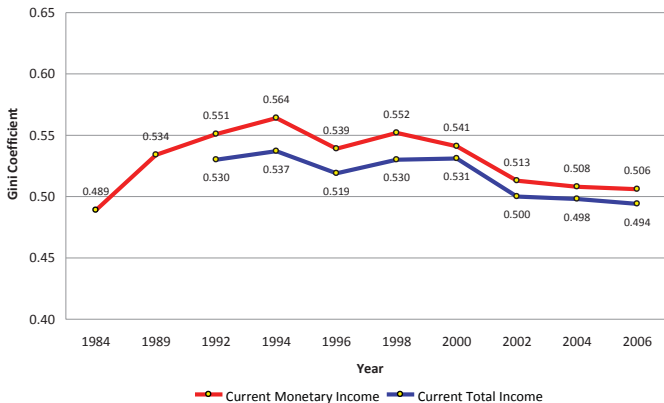
Factors behind a decreased in inequality (Gasparini and Lustig, 2011).

1. Fall in the earnings gap of skilled/low-skilled workers,
2. Increase in government transfers targeted to the poor.

Income Inequality in Mexico

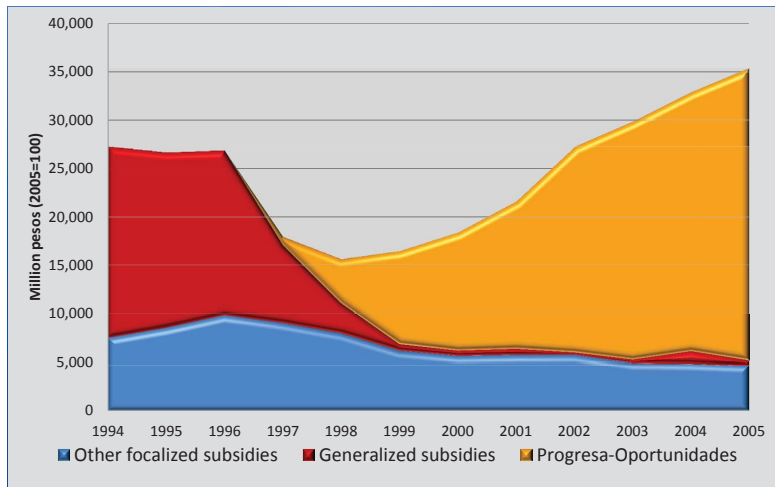
Inequality in Mexico

Gini coefficient 1984-2006 using alternative income definitions



Source: Esquivel, Lustig and Scott (2010).

Progresa/Oportunidades and other subsidy programs



Methodology

Socioeconomic status (SES)

Stratum	Level of education	Years of education (completed)
I	Non, kindergarten, or incomplete primary	[0, 6)
II	Primary, or incomplete lower secondary	[6, 9)
III	Lower secondary, or incomplete upper secondary	[9, 16)
IV	Undergraduate, Master, or PhD	16 or more

Flow identity:

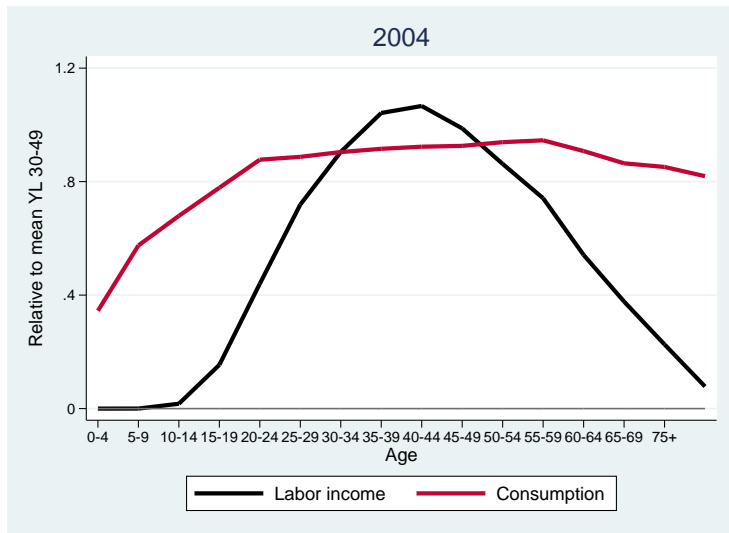
$$C(x) - Y^l(x) = \tau^+(x) - \tau^-(x) + Y^a(x) - SY^l(x).$$

Flow identity (subpopulation):

$$C(x, s) - Y^l(x, s) = \tau^+(x, s) - \tau^-(x, s) + Y^a(x, s) - SY^l(x, s).$$

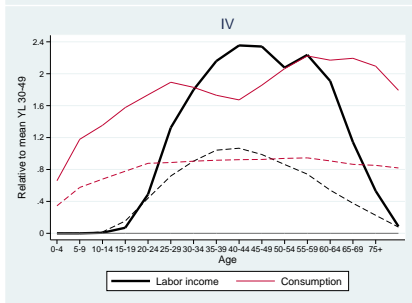
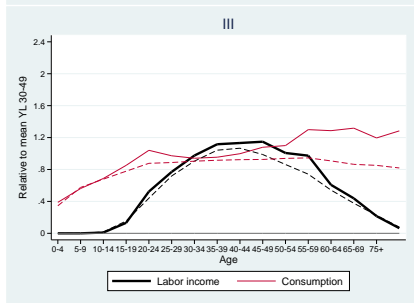
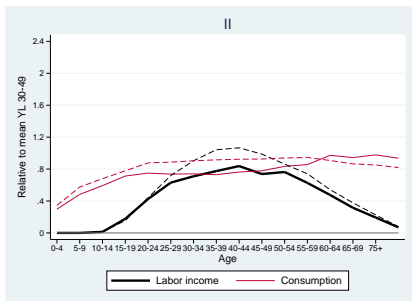
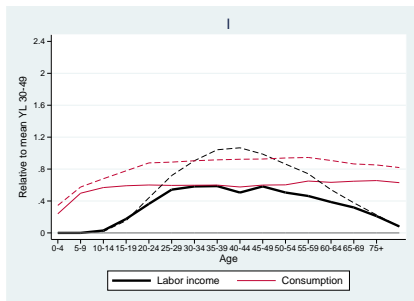
NTA by SES: Mexico 2004

Lifecycle deficit: Mexico 2004



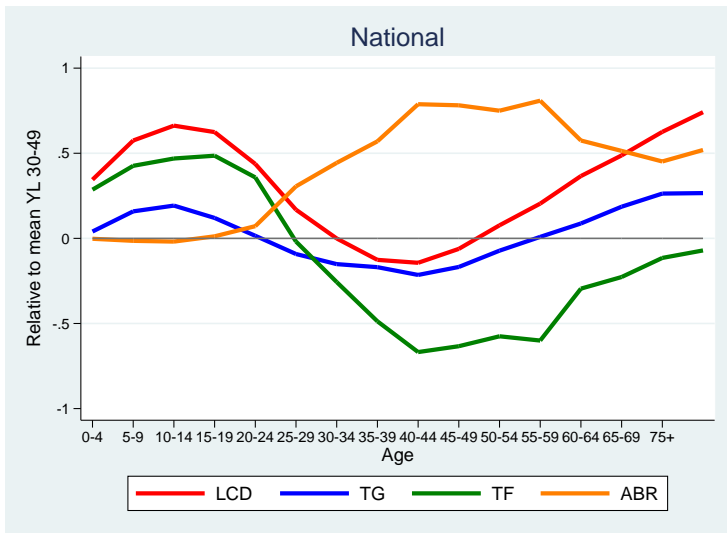
Source: Mejía-Guevara (2011).

Lifecycle deficit by SES: Mexico 2004



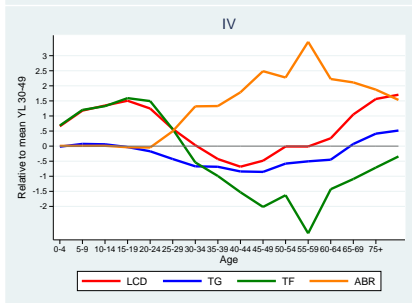
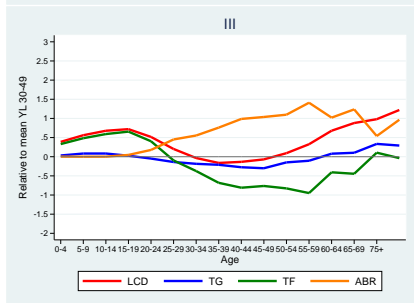
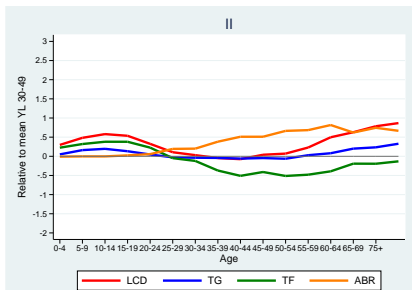
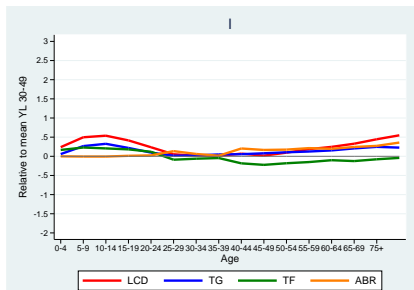
* dashed lines represent national averages. Source: Own based on ENIGH 1994 and 2004.

Per capita age reallocations: Mexico 2004



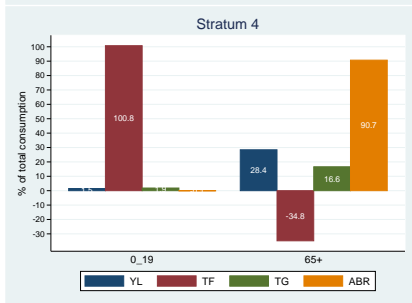
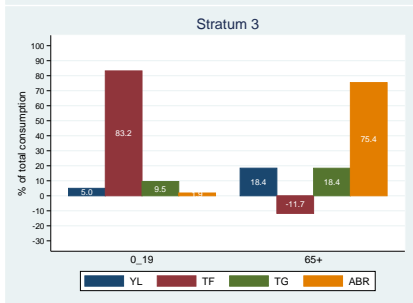
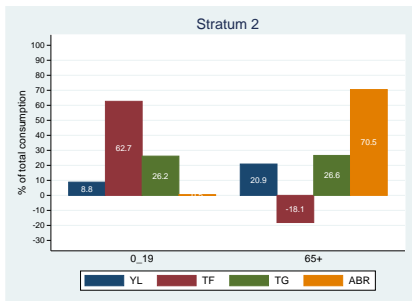
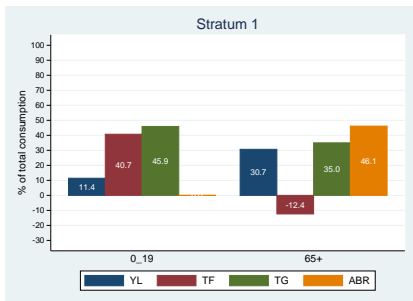
Source: Mejía-Guevara (2011).

Per capita age reallocations by SES: Mexico 2004



Source: Own based on ENIGH 1994 and 2004.

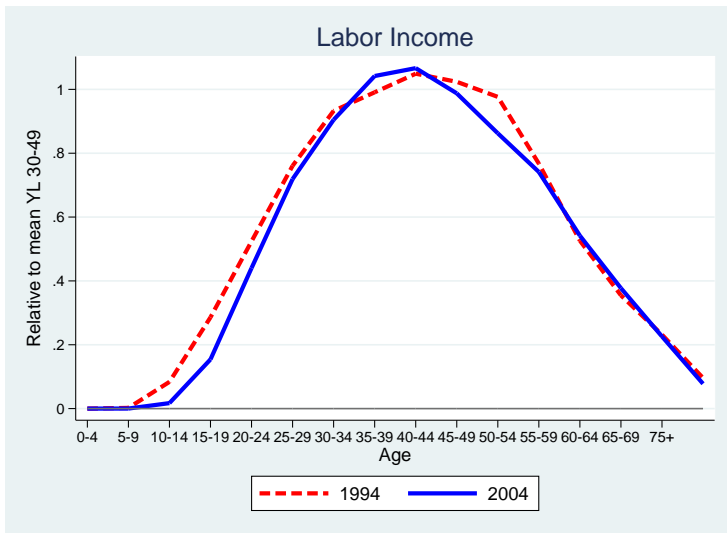
Funding sources for young and the elderly by SES: 2004



Source: Own based on ENIGH 1994 and 2004.

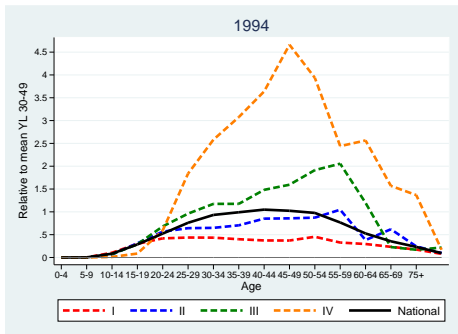
NTA by SES: Mexico 1994 vs. 2004

Labor income by age: 1994 vs. 2004

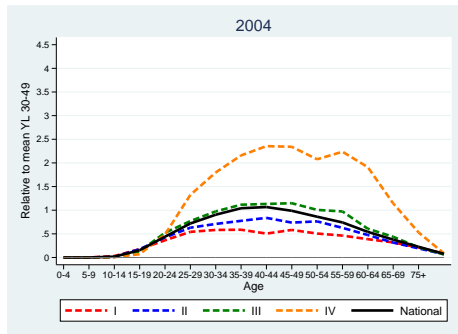


Source: Own based on ENIGH 1994 and 2004.

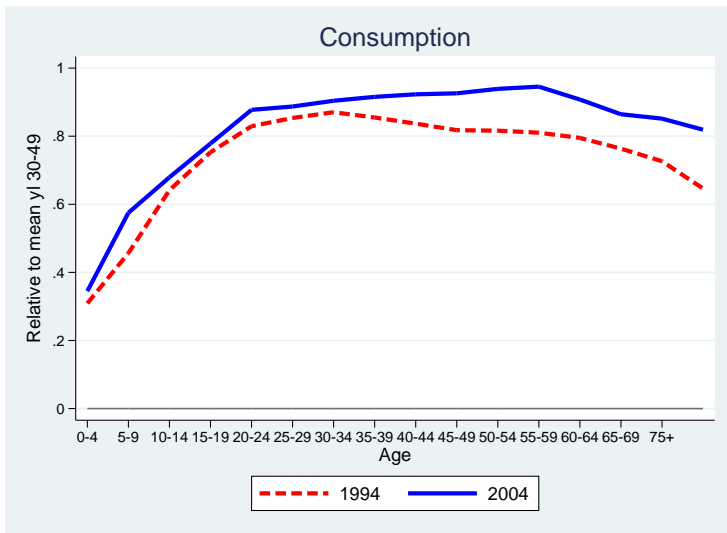
Labor income by age and SES: 1994 vs. 2004



Source: Own based on ENIGH 1994 and 2004.

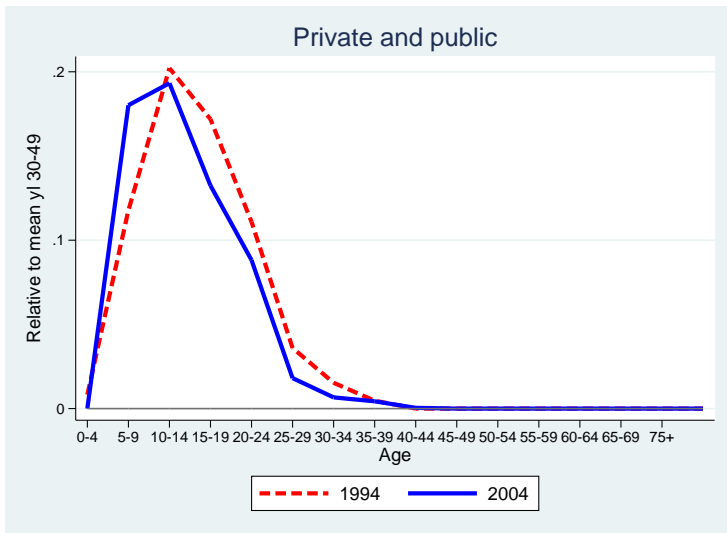


Total consumption by age: 1994 vs. 2004



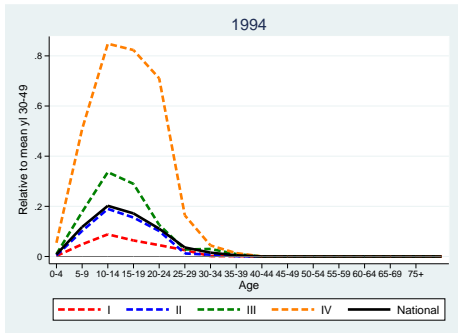
Source: Own based on ENIGH 1994 and 2004.

Education spending by age: 1994 vs. 2004

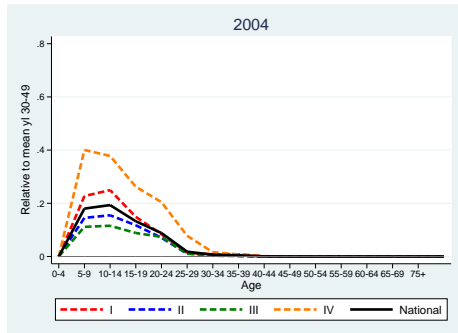


Source: Own based on ENIGH 1994 and 2004.

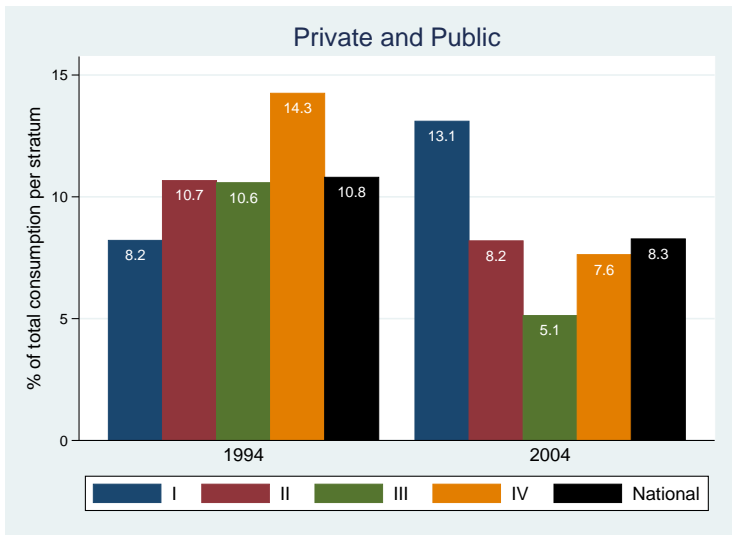
Education spending by age and SES: 1994 vs. 2004



Source: Own based on ENIGH 1994 and 2004.

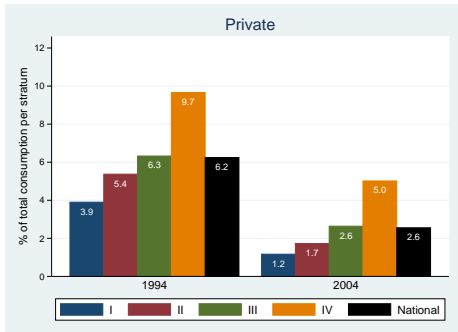


Education spending by SES: 1994 vs. 2004

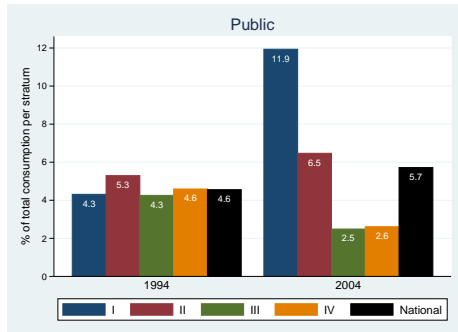


Source: Own based on ENIGH 1994 and 2004.

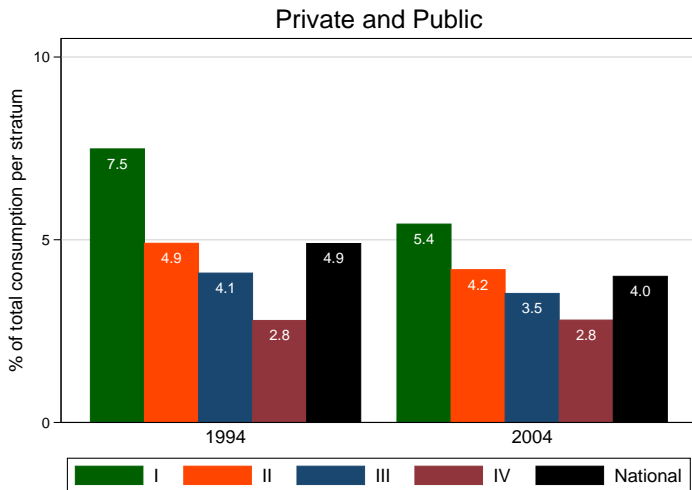
Education spending by SES: 1994 vs. 2004



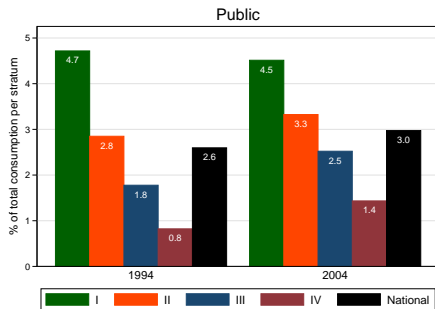
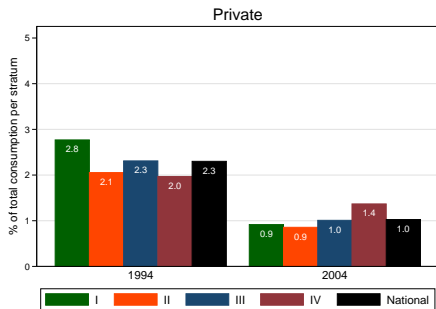
Source: Own based on ENIGH 1994 and 2004.



Health spending by SES: 1994 vs. 2004

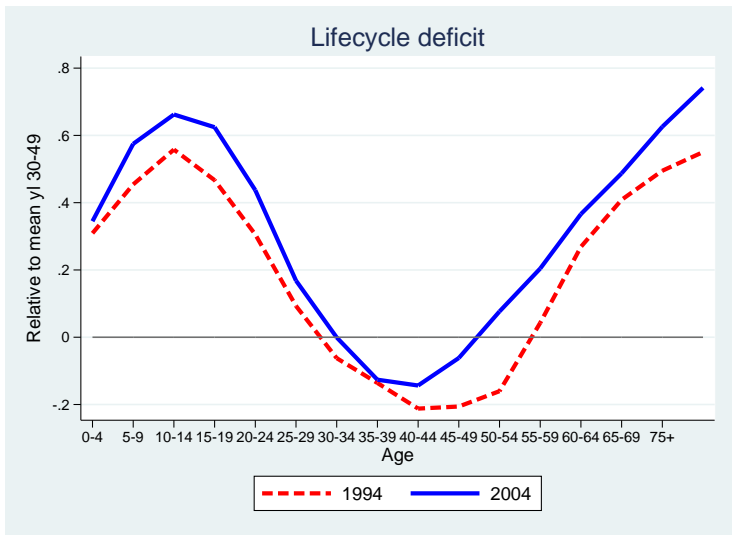


Health spending by SES: 1994 vs. 2004



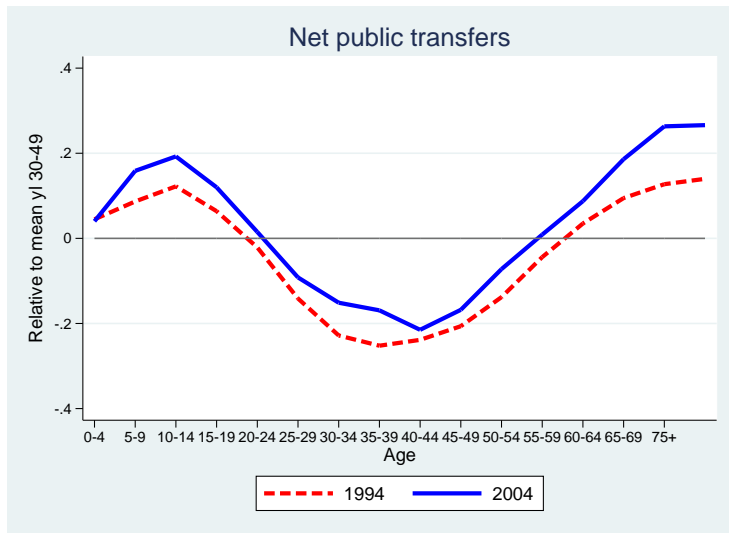
Source: Own based on ENIGH 1994 and 2004.

Lifecycle deficit: 1994 vs. 2004



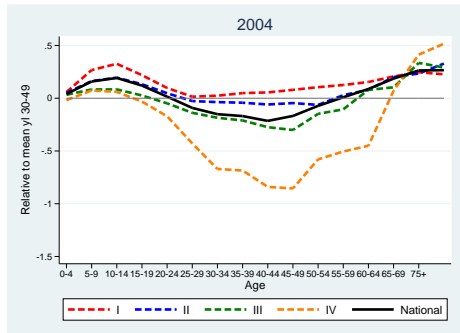
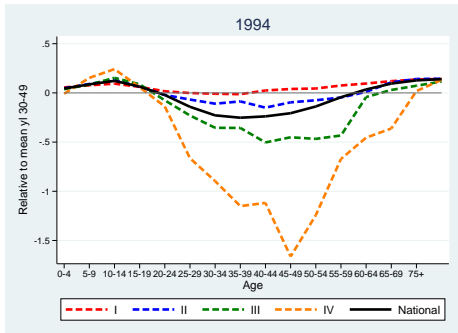
Source: Own based on ENIGH 1994 and 2004.

Net public transfers: 1994 vs. 2004



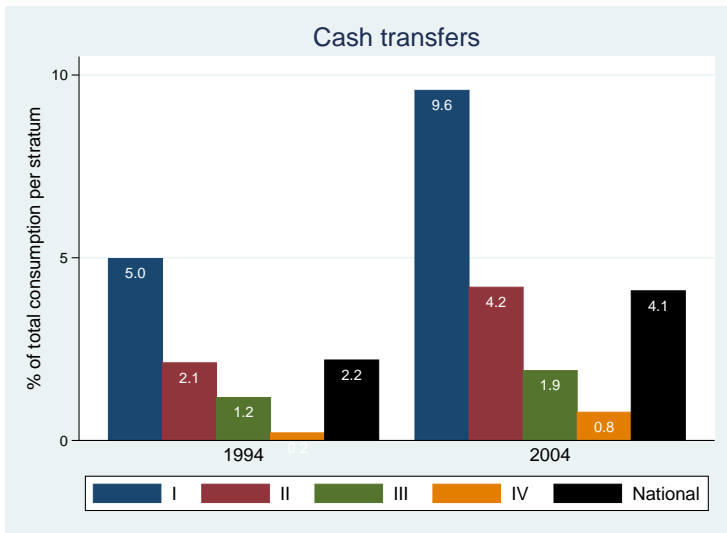
Source: Own based on ENIGH 1994 and 2004.

Net public transfers by age and SES: 1994 vs. 2004

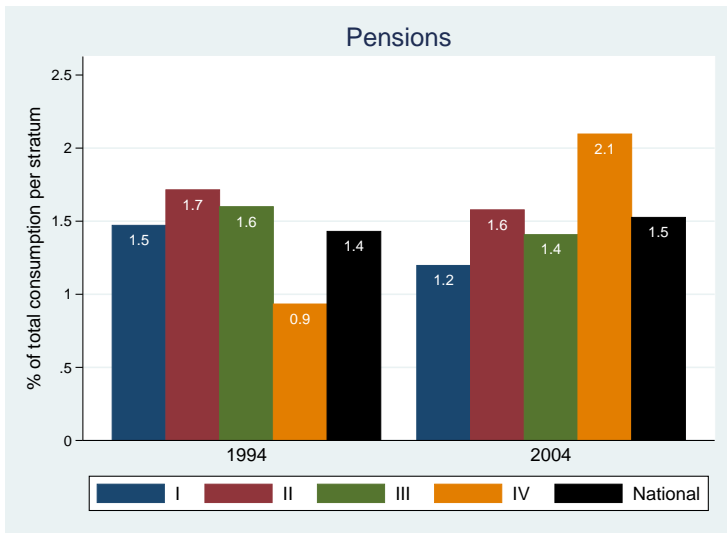


Source: Own based on ENIGH 1994 and 2004.

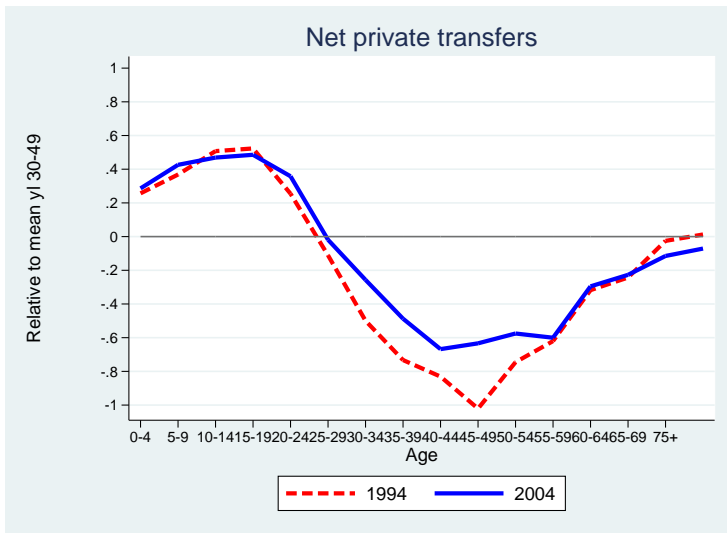
Cash transfers: 1994 vs. 2004



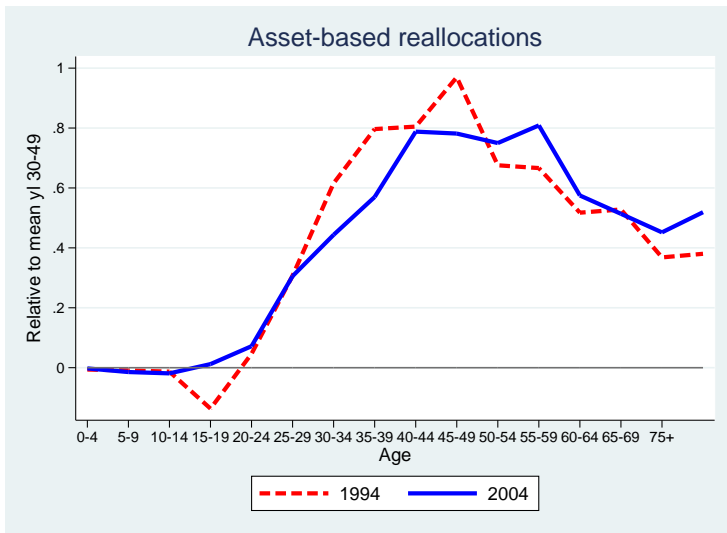
Public pensions: 1994 vs. 2004



Net private transfers by age: 1994 vs. 2004

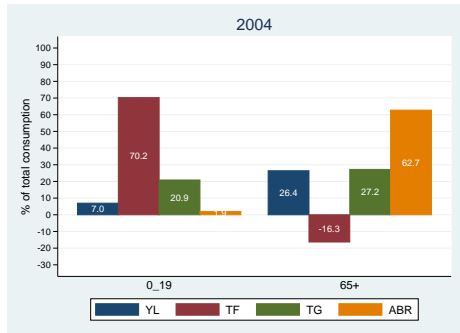
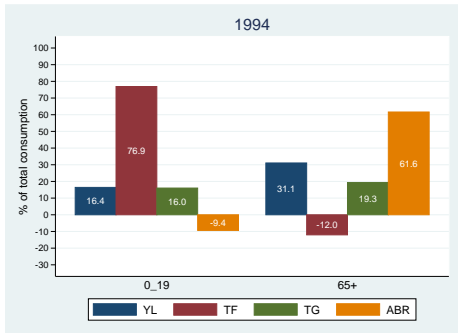


Asset-based reallocations by age: 1994 vs. 2004



Source: Own based on ENIGH 1994 and 2004.

Funding sources for young and elderly: 1994 vs. 2004



Source: Own based on ENIGH 1994 and 2004.

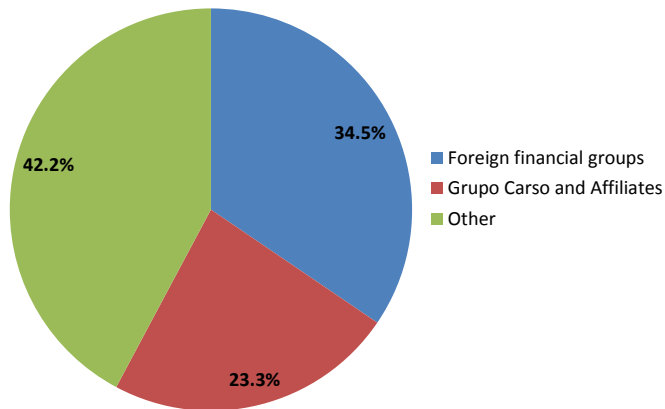
Conclusions

Conclusions

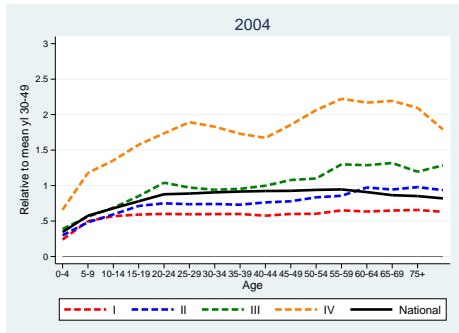
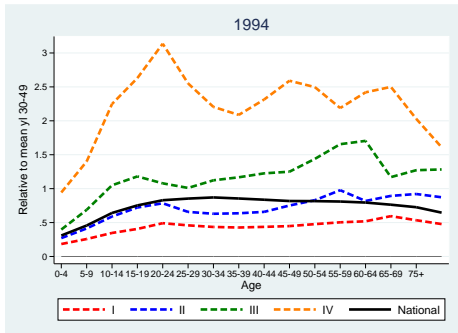
- Income inequality is a persistent phenomenon in Mexico, but it has declined recently,
- Recent evidence suggests that a fall in the earnings gap of skilled/low-skilled workers and an increase in government transfers targeted to the poor are factors that explain this reduction in inequality,
- An analysis of Mexican NTA between 1994 and 2004 supports that evidence,
- NTA analysis by SES reveals very important differences in the reallocation of economic resources among subgroups.
- Specifically, it suggests that, compared to 1994, inequality of labor income was reduced and public cash transfers and education became substantially more progressive and, thus better targeted to the poor one decade later.

Appendix

BMV: Concentration

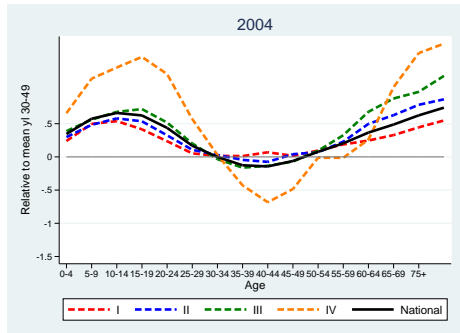
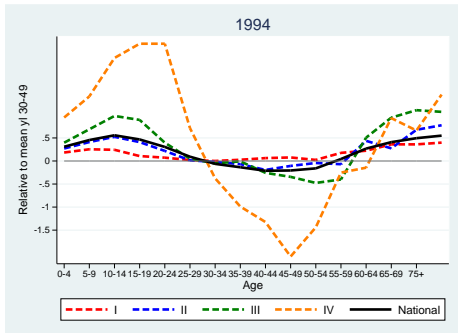


Total consumption by age and SES: 1994 vs. 2004



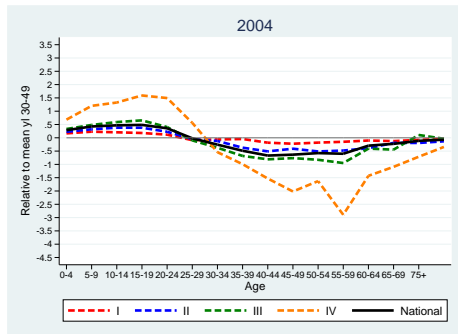
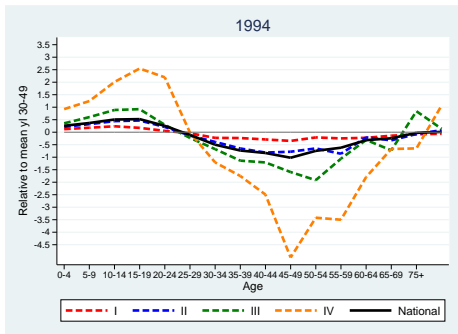
Source: Own based on ENIGH 1994 and 2004.

Lifecycle deficit by SES: 1994 vs. 2004



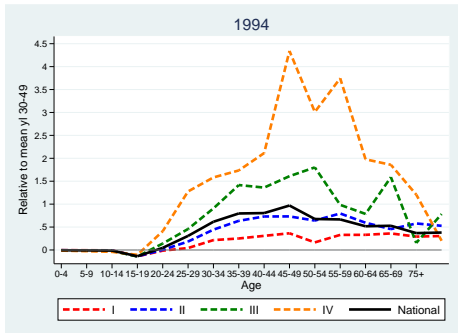
Source: Own based on ENIGH 1994 and 2004.

Net private transfers by age and SES: 1994 vs. 2004

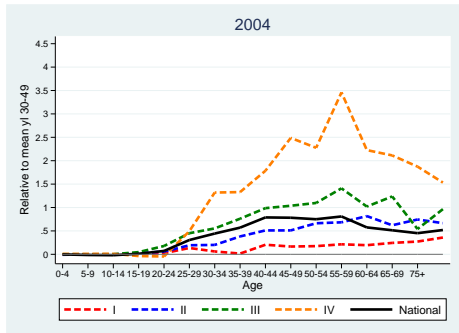


Source: Own based on ENIGH 1994 and 2004.

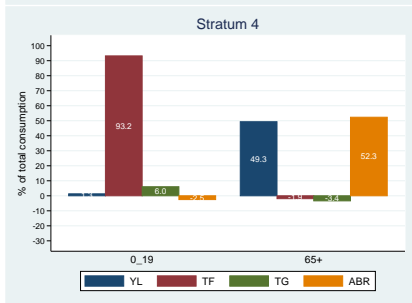
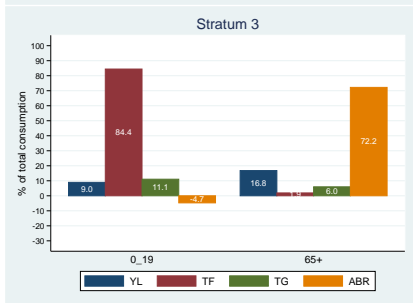
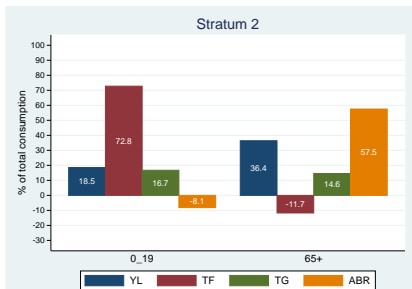
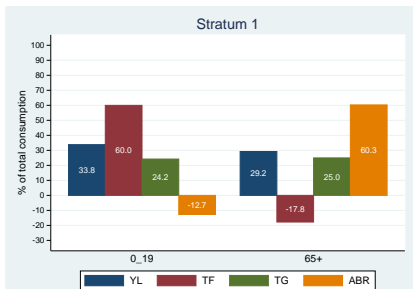
Asset-based reallocations by age and SES: 1994 vs. 2004



Source: Own based on ENIGH 1994 and 2004.



Funding sources for young and the elderly by SES: 1994



Source: Own based on ENIGH 1994 and 1994.