

Wide Regional Differences in Social Mobility across Mexico

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PITCH

Social mobility is low in Mexico: inequality of wealth is highly persistent across generations; and about half of people from very poor households remain poor throughout their lifetimes. Moreover, according to a new study, an individual's chances of moving up the social ladder are strongly determined by where in the country they are born: the degree of social mobility is higher in the richer northern states than in the poorer south, a level of variation that is far stronger than elsewhere in North America. The findings suggest that the uneven regional pattern mainly arises from inequality of opportunities for young people to develop skills or access decent work.

MOTIVATION

There is growing research evidence of falling social mobility in some countries during the second half of the 20th century. Yet politicians have found it difficult to address the problem within current policy frameworks. One way to close the gap between evidence and policy is to examine the links between social mobility and public policy using data at a regional level. Mexico provides

such an opportunity given its historically low rate of economic growth, high and persistent inequality, and the fact that low social mobility at the national level conceals large differences across regions.

Previous cross-country evidence shows that a high level of inequality correlates negatively with social mobility, while the correlation with economic growth is positive. This study searches for covariates of social mobility across Mexican states to derive public policy prescriptions that could be instrumental in generating a more equitable cycle of shared prosperity in poor regions. The search is guided by the assumption that low incomes and inequality of opportunity are the most common reasons for low social mobility.

Since 1995, there has been an even greater spatial concentration of economic gains in Mexico, partly due to greater openness to trade through the North American Free Trade Agreement (NAFTA). A second research question explores how regional differences in social mobility compare between Mexico and its two North American trading partners, and to what extent opportunities for

moving up the social ladder are still relatively scarce in Mexico.

METHODS

The research analyzes social mobility in terms of wealth. Drawing on data from two large national surveys – the 2016 INEGI Intergenerational Social Mobility Module and the 2017 CEEY Social Mobility Survey – the authors compute wealth indicators for survey respondents aged 25-64 (as well as those of their parents). The indicators capture variation in household assets, home characteristics, appliances, access to services, and years of schooling.

The overall ranking of these measures is compared across generations. In particular, the analysis makes a comparison between where the respondents are positioned in the current national distribution of wealth (their percentile rank) and the rank of their parents in the distribution of the previous generation. Comparable measures of 'absolute upward social mobility' and 'relative social mobility' are then estimated across generations from 'rank-rank' analysis at the national, regional, and state levels.

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Geography Mexico

Find out more about this project: <https://www.afd.fr/en/carte-des-projets/inequalities-social-mobility-and-perceptions-mexico>

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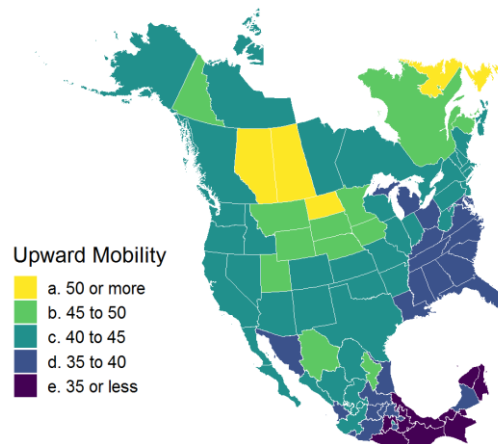
Themes Inequality, Social Link

RESULTS

At the aggregate national level, social mobility is low. The rate of intergenerational persistence of wealth inequality is high (0.62). This means that each generation starts with a level of wealth inequality that is at least 62% of that of the previous generation. The outlook for absolute upward social mobility is also bleak: on average, those born in households at the 25th percentile of the national wealth distribution only reach the 35th percentile in adulthood. This means that the poor tend to remain poor and the rich tend to remain rich. More than half of individuals remain in either the bottom or top bracket of the wealth distribution from one generation to the next. Mexico has substantially lower social mobility than Canada or the United States, its main trading partners, and other OECD countries.

There is also substantial variation in the degree of social mobility across Mexican states. Northern states consistently display higher average wealth ranks for children of poor parents than those at the national level. There are also relatively large social mobility estimates in many states in the northwestern and north-central regions. High degrees of social mobility are less common in the central states (with the exception of Mexico City) and none in the southern states. Indeed, people born in Chiapas, a southern state and the

Figure 1. Degree of absolute upward intergenerational social mobility in Canada, the United States, and Mexico, by provinces and states (a higher number implies higher mobility)



Source: Connolly, Marie, Miles Corak and Catherine Haecq. 2019. 'Intergenerational mobility between and within Canada and the United States.' *Journal of Labor Economics* 37 (52): S595-S641 (Canada); Chetty, Raj, Nathaniel Hendren, Patrick Kline and Emmanuel Saez. 2014b. 'Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States.' *The Quarterly Journal of Economics* 129 (4): 1553-1623 (USA); and this paper (Mexico).

poorest in the country, are relatively poorer today than their parents were.

Social mobility across states correlates significantly with factors such as overcrowding (measured by the number of household members and rooms in a house), teenage employment rates, and economic growth. The evidence points strongly to inequality of opportunity as the main factor affecting social mobility rates. Overcrowding is an indicator of poor living conditions and deprivation, especially during early childhood. Teenage employment suggests that unskilled youngsters drop out of school to join the labor market, probably in the informal sector. Low economic growth signals fewer opportunities for wage growth.

Northern states have benefited most from NAFTA: they have lower poverty levels and higher rates of formal employment. Comparisons of intergenerational social mobility estimates at the sub-national level show an even greater difference between Mexico and the rest of North America. No Canadian province, and only the US states of Maryland and Mississippi, have an intergenerational persistence of inequality as high as Mexico's. About 60% of the Mexican population lives in states with an upward social mobility rate lower than the lowest level for a US state (see Figure 1). Finally, the degree of variation in social mobility across states is larger in Mexico.

RECOMMENDATIONS

- ▶ Fostering greater intergenerational social mobility in Mexico (especially in states with lower upward mobility) requires the country to invest heavily in early childhood intervention, family planning, housing, and social infrastructure.
- ▶ The correlation between social mobility and teenage employment suggests specific problems to be tackled with education and labor market policies. Priorities include improving the quality of high school education, reducing dropout rates, and fostering formal employment.
- ▶ The boost to growth from trade must be fairly distributed, either by direct redistribution of public spending on social and economic development, or by supporting firms in poorer states to join the many active value chains in the North American economic system.