

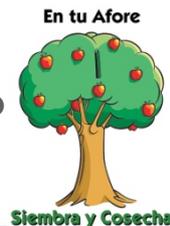
“PROGRESS REPORT: SURVEY ON LABOR PATHS FOR A BETTER UNDERSTANDING OF LABOR DYNAMICS IN MEXICO”

Mexico: How to Tap Progress
Federal Reserve Bank of Dallas
Houston Branch
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Comisión Nacional del Sistema de Ahorro para el Retiro



Background

- Labor dynamics is a complex issue; for example, what determines transition rates from unemployment to employment and vice versa? It is relevant to understand those determinants since an unemployed individual or one holding an informal job ceases to contribute to the social security system and hence to his individual pension savings account.
- We also have very limited knowledge about the dynamics of the informal sector.
- Hence, a follow-up of labor paths of individuals may shed important data that will help to comprehend labor dynamics, provide relevant information regarding the current functioning of the pension system, and to foresee its future performance.

The survey

- Taking into account these and other considerations, it was agreed to establish an inter institutional project between INEGI-STPS-CONAPO-CONSAR to follow up on labor paths through a survey and enrich the statistical data base for a better understanding of the dynamics of labor markets in Mexico.
- It was decided to add a section (Módulo de trayectorias laborales, MOTRAL) to INEGI's quarterly survey on occupation and employment (ENOE) in order to interview individuals between 18 and 54 years old with labor experience, obtain from them information regarding their labor paths during the past five years, as well as information with respect to their culture on social security and retirement saving habits (MOTRAL is not a panel survey).

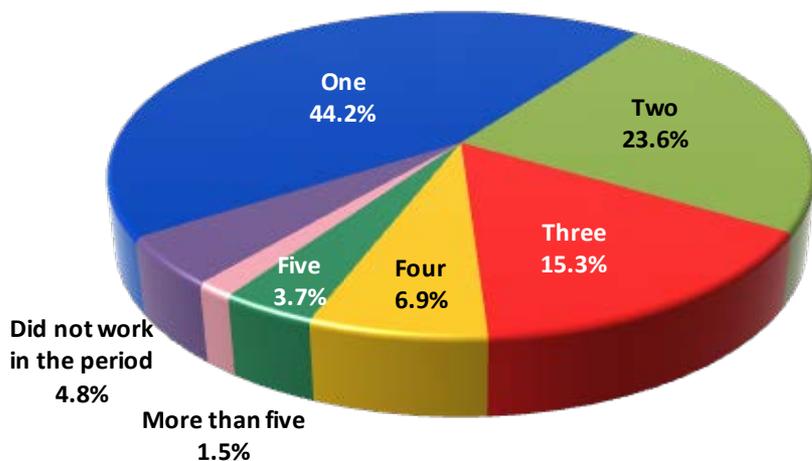
The survey

- **MOTRAL was applied in June 2012 to a representative sample of 6,200 individuals. Currently, CONSAR is processing and analyzing the results in order to generate meaningful statistics, which will be released in November.**
- **In the context of this session, I would like to present some brief preliminary results about the survey:**

Number of jobs and their length

Number of jobs between January 2007 – June 2012

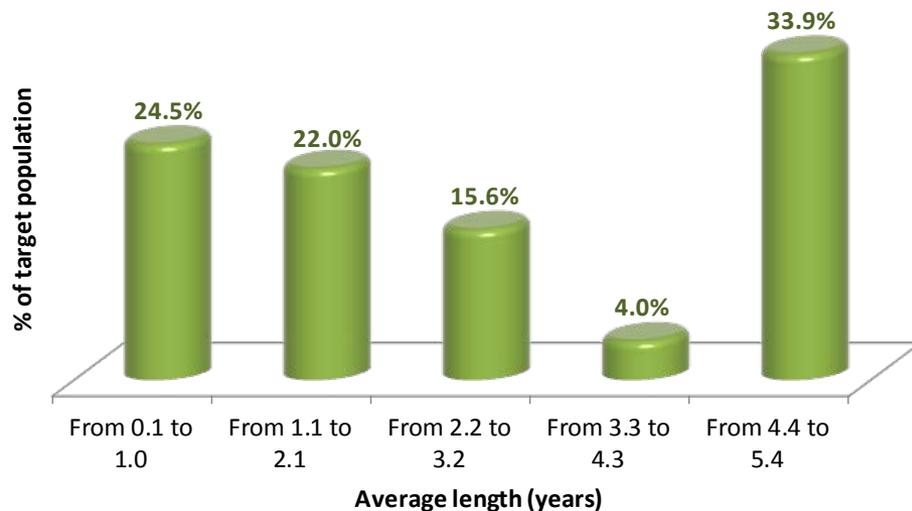
As percent of the target population



44.2 percent of workers considered had only one job in the period analyzed, though they may have not worked necessarily the whole period.

Average length per job

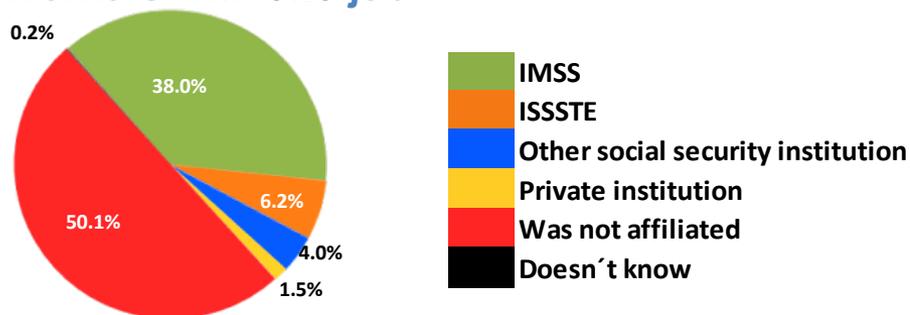
As percent of the target population



A third of the workers with labor experience kept their job practically for the complete period.

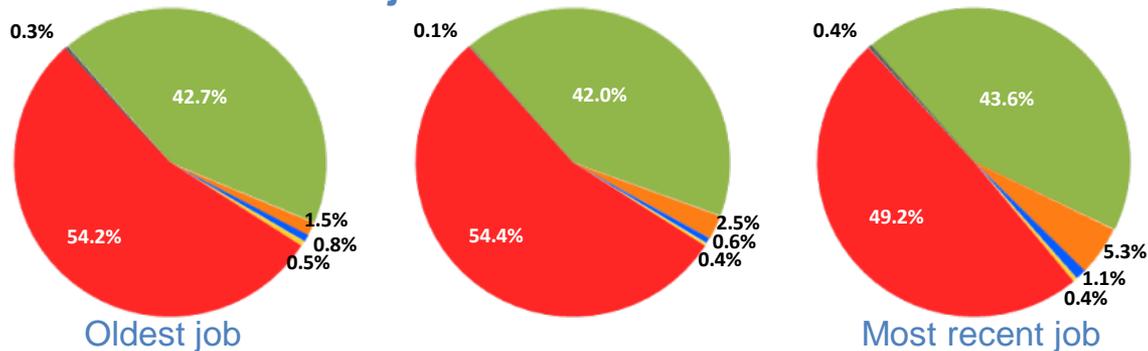
Social security provided per job

Workers with one job

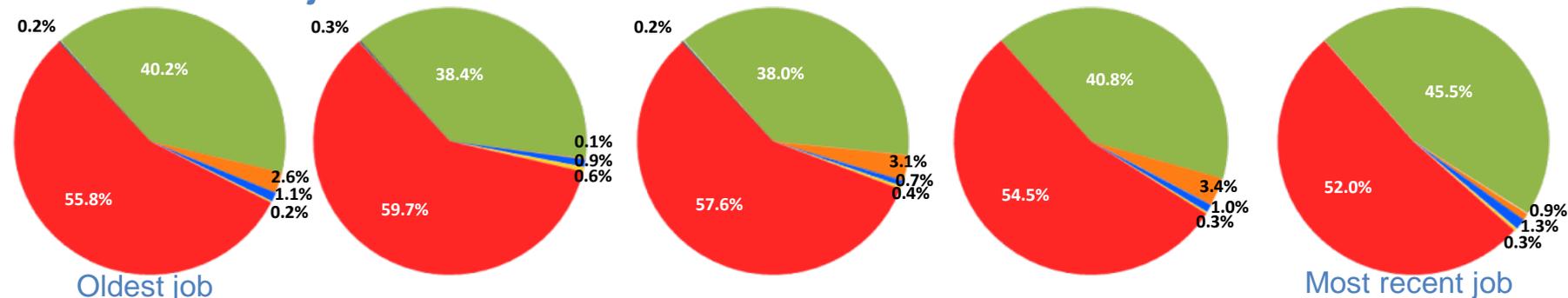


More than half of the workers were not affiliated, regardless of the number of jobs they had.

Workers with three jobs

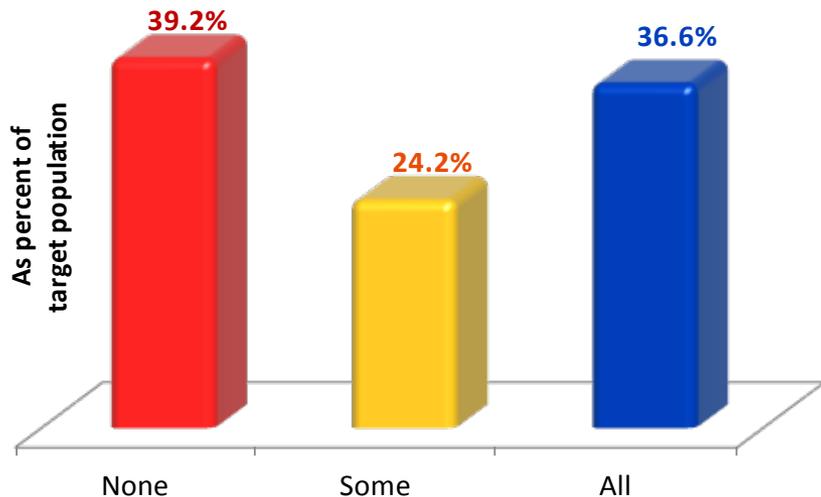


Workers with five jobs



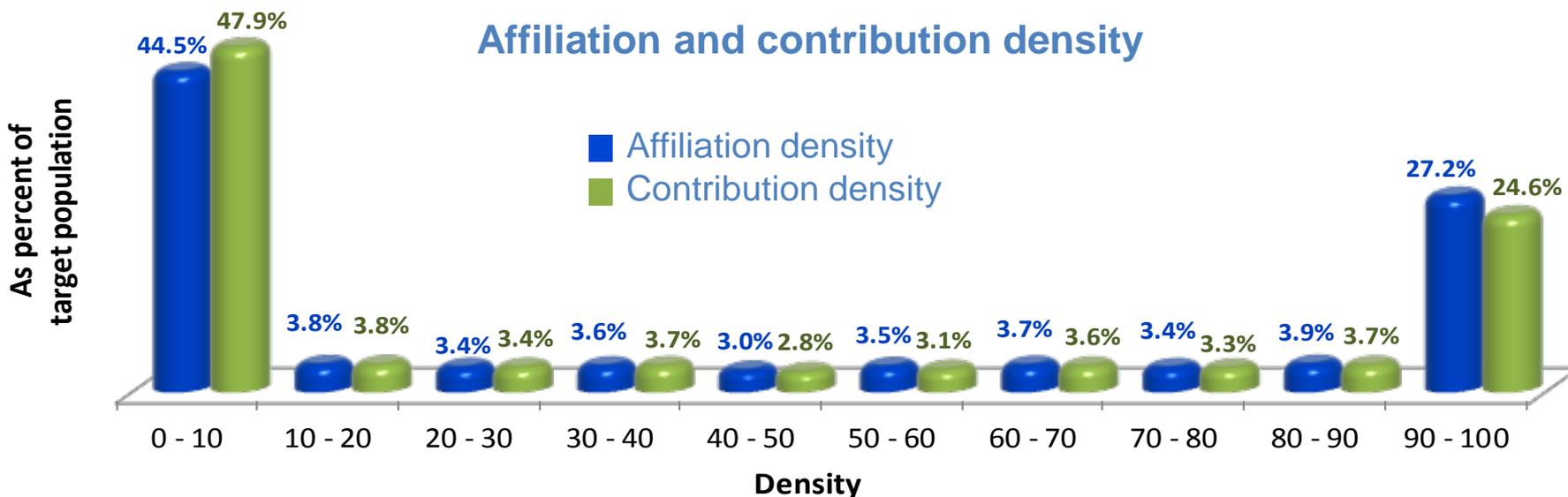
Social security provided per job

Jobs that provided social security



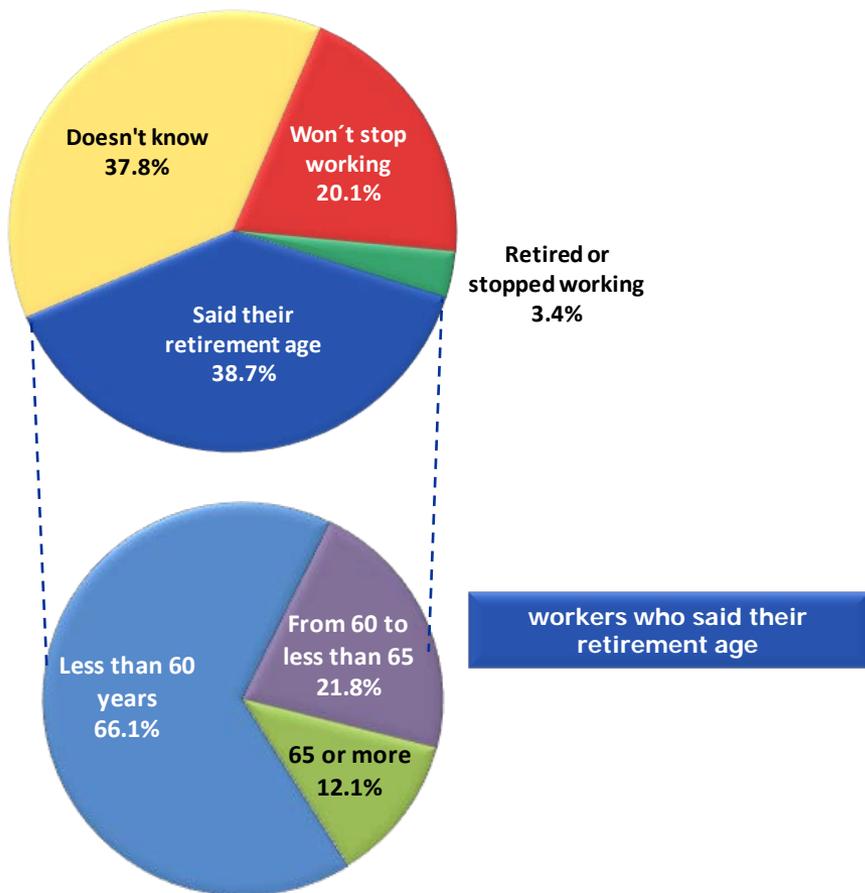
- During the period considered, only 36.6 percent of workers had access to social security in all their jobs.
- Approximately 45 percent of the population considered was affiliated to a health institution during 1/10 of the time they could have been affiliated.

Affiliation and contribution density



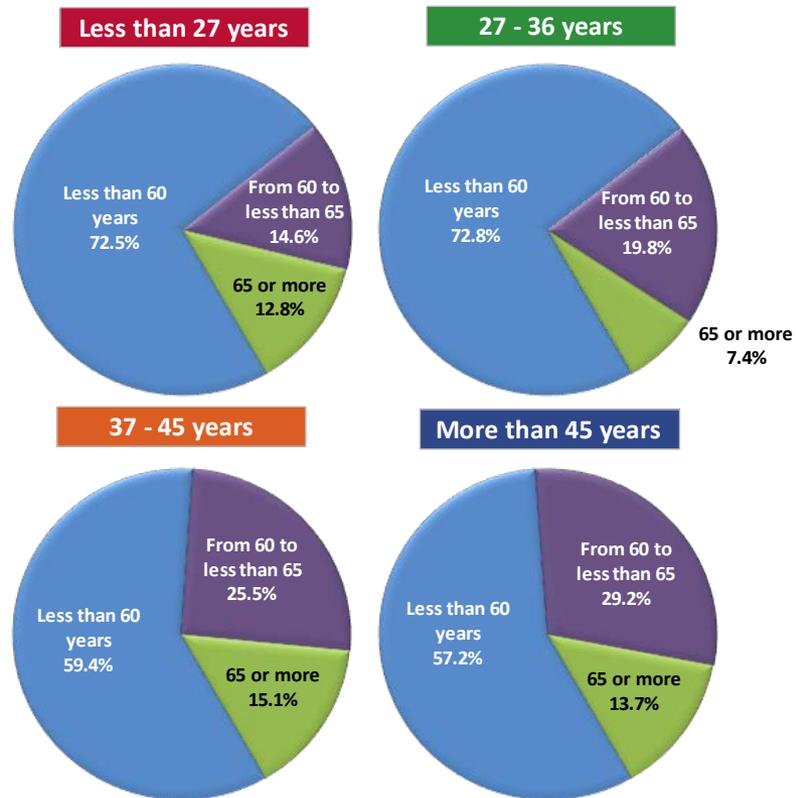
Retirement age

At what age do you think you will retire?



87.9 percent of workers who indicated their retirement age think they will retire before they are 65 years old.

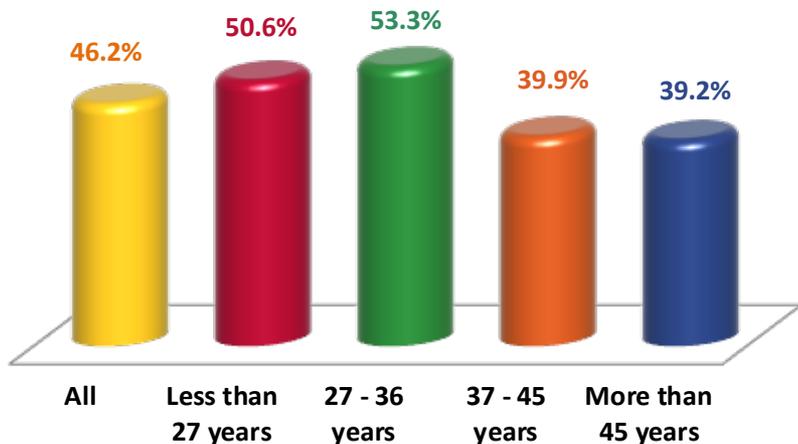
Distribution of workers who said their retirement age by age range



As the population ages, the ratio of people that think they will retire before they are 60 years decreases.

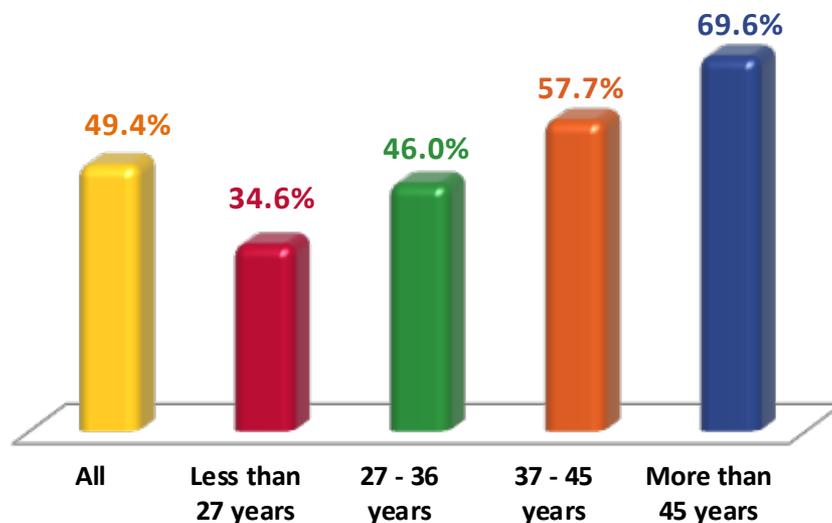
Savings and retirement savings

Percent of population that saves



The age group with a higher saving ratio includes workers between 27 and 36 years.

Percent of population that considers savings for retirement



The population considers saving for retirement as they get older.

Some expected benefits:

It is expected that MOTRAL's information may contribute, among other objectives, to:

- i. Structure public policies geared towards improving the financial sustainability of the social security system and of the Savings for Retirement System (SAR)**
- ii. Implement actions for promoting savings, and**
- iii. Create and promote the corrective incentives for individuals and firms so that they may perceive the advantages of pertaining to the formal labor market.**