

# **GREQAM**

Groupement de Recherche en Economie  
Quantitative d'Aix-Marseille - UMR-CNRS 6579  
Ecole des Hautes Etudes en Sciences Sociales  
Universités d'Aix-Marseille II et III

**Document de Travail**  
**n°2006-24**

## **UNEMPLOYMENT AND EMPLOYMENT DYNAMICS IN THE MEXICAN SEGMENTED LABOUR MARKET**

**Xavier JOUTARD**  
**Luis A. I. SAGAON TEYSSIER<sup>b</sup>**

*Mai 2006*

**DT-GREQAM**

# Unemployment and employment dynamics in the Mexican segmented labour market\*

Xavier JOUTARD<sup>a</sup>

Luis A. I. SAGAON TEYSSIER<sup>b</sup>

<sup>a</sup>*GREQAM, Université de la Méditerranée. Centre de la Vieille Charité, 2 Rue de la Charité 13002, Marseille, France*

<sup>b</sup>*GREQAM, Université de la Méditerranée. Centre de la Vieille Charité, 2 Rue de la Charité 13002, Marseille, France*

May 2006

## Abstract

This paper analyses unemployment and employment dynamics in the urban Mexican labour market. We use a method to distinguish between the effects of duration dependence and unobserved heterogeneity. Cohort effects are added and identified within the dependent concurrent risks model. We consider the exit from unemployment to the formal and informal sector; the transitions between sectors; and the transitions from the two types of employment to unemployment. The model is estimated on quarterly urban Mexican aggregated data over the period 1987-2001 stratified by sex, age, and education level. It turns out that for all groups of unemployed there is nonmonotonous duration dependence. Unobserved heterogeneity is not found in all groups of unemployed individuals. The first results, obtained from the analysis of the unemployment dynamics do not enable us to conclude that both formal and informal sectors play a specific role, but neither do they show a dynamic or specific behaviour; with similar cohort effects and different duration dependences, the sectors appear symmetrical. The transitions between sectors show shapes of dependence, where we find a primacy of the formal sector over the informal one for some categories of workers, especially males and the more educated. An asymmetrical mechanism within the formal sector thus seems to take place with the employment length in this sector, keeping those workers within the same type of employment. Between the two following quarters, the probabilities of returning to unemployment differ greatly according to the categories of workers and the origin sectors. It is difficult to draw conclusions from those mechanisms of nonmonotonous dependence in the analysis of transitions from employment to unemployment. The transition risks from formal employment, that is to say mobility between sectors or a return to unemployment are overall homogeneous within the different categories of workers. The exit rates from informal employment are very different. Regarding the mobility between sectors from informal to formal, the presence of heterogeneity is systematically significant (except for the less educated workers). Rather than pure cyclical effects, it seems nevertheless that cohort effects make account of the labour market mutations and of the transformations and particularly of the role of employment sectors.

*JEL Classification:* C41, J21, J42, J64, R23

*Keywords:* Unemployment, Employment, Unemployment duration, Employment duration, Unobserved heterogeneity, Cohort effects, Segmentation

---

\* We would like to thank Debra Dove for her helpful assistance. The research of Luis A. I. Sagaón Teyssier has been made possible by a grant of the CONACYT (Science and Technology National Council of Mexico)