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Pro-poor Growth with Limited Intergenerational Mobility: The Case of Overcrowding in Mexico

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We study intergenerational mobility in overcrowding, one of several indicators used by Mexico's CONEVAL (2018) to operationalise the habitability dimension embedded in the UN's notion of adequate housing (UN-HABITAT, 2009). Moreover, overcrowding is one of the key ingredients in Mexico's official multidimensional poverty index (with a deprivation line of 2.5 people per room including the kitchen).

Methodologically, we contribute by proposing a novel decomposition of the Palmisano-Van-de-Gaer class of measures of rank-weighted panel welfare change (Palmisano and Van de Gaer, 2016) into components of growth, structural mobility (understood as change in inequality) and exchange mobility (due to dynastic re-rankings) in the spirit of the decomposition pioneered by Van Kerm (2004). We focus on this axiomatically characterised class of measures because they provide an intuitive metric of absolute change in a wellbeing indicator as the weighted average of individual experiences (e.g. individual change in overcrowding), where the weights are chosen in order to prioritise the wellbeing improvements (or deprivation relief) of those most disadvantaged in the initial period (e.g. the parents' generation). We show that only one specific counterfactual distribution provides a mobility decomposition satisfying three key desirable properties corresponding to the three components. Also, as part of our methodological contribution, we show how to adapt the Palmisano-Van-de-Gaer class to the case of deprivations.

Then using the measures, and their decomposition, we compute the change from parents to offspring in social welfare evaluation of overcrowding. Using the EMOVI 2017 dataset collected by the CEEY centre specialising in the study of social mobility in Mexico, the analysis is performed throughout for age-cohorts of men and women (household heads and their spouses), both nationally and at the regional level.

Among several results, we find that (1) most of the welfare gains in overcrowding reduction in Mexico took place among the older cohorts, (2) the growth component predominates (around 60% for both men and women, across regions and nationally), (3) overcrowding reduction is indeed pro-poor across the board; (3) the exchange-mobility component only contributes non-trivially among the younger cohorts; and (4) welfare gains in overcrowding reduction exhibit marginal decreasing returns with, for instance, relatively poor regions like the South

experiencing the highest gains across all cohorts and relatively affluent regions like the capital city exhibiting the most moderate gains in the country.