Discussion: Non-Contributory Health Insurance and Household Labor Supply: Evidence from Mexico

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Summary

- Relation between access to public health insurance (*Seguro Popular*) and labor markets in Mexico.
- Introducing of non-contributory public insurance (2002):
  - redistribution from formal to informal sector,
  - could affect incentives to work in formal vs. informal sector,
  - wage determination effects (if in equilibrium wage adjusts $\rightarrow$ compensation of the increase in benefits in the informal sector).
- Reduced form estimates: slightly less people are covered by Social Security (due to their transition into informal sector), lower salaries in the informal sector.

- An interesting question!

- **Household** model of wage determination.
    - What are the households that were affected by the reform?

- Structural model $\rightarrow$ possibility to analyze the mechanisms.

- Increase in participation vs. switch in sectors
  - Participation rate increased from 59 to 61% between 2002 and 2007 (females 41% to 45%).
  - Moving into informal sector from non-employment increased (especially high educated females with children, as well as low-educated males without children).
  - What are the households that enter labor market/switch sectors?
  - Motivation to enter labor market rather than switch sectors?
  - Could this be driven by the Child care reform in 2007?

- Simultaneity of reforms: is childcare reform an issue?

- Second-order moments: mean wage decreased, but variance increased quite a bit.
  - Age effects, time effects, change in composition of society (more educated).
  - Variance decomposition: effects of policy change?

- Labor shocks are mutually exclusive for the members of households.

    - In the US due to assortative mating they are correlated (Heathcote, Storesletten, Violante 2010; Guner, Kaygusuz, Ventura 2016). In Mexico?

    - Identify joint shocks for households?

- Nonemployment: unemployment $+$ out of the labor force.

    - Participation margin is important for females in the US (Elsby, Hobijn and Sahin 2015, Guner, Kulikova, Valladares-Esteban 2016). In Mexico?

    - An important mechanism behind the results.

Comments. Estimation

- Wage distribution is estimated non-parametrically. However, it is truncated (and exogenous) because you observe only accepted offers. Estimated reservation wage is the same for everyone.

  - Do you identify uniquely reservation wage and rate of job arrivals?

  - Usually in partial equilibrium models they could be identified only together (low job offer rate+low reservation wage = high job offer rate + high reservation wage).

  - Transition rates are functions of job finding and job destruction rates

  - Policies might affect reservation wage.

  - Will counterfactual policies be affected?

- Counterfactuals.

- Cost-benefit analysis of the reform.

- Composition of the society has changed over the last decades: a lot more educated people.
  - Result of the reform: people can stay in education instead of searching for a formal job.

- Informal labor sector: self-employed vs. informal sector employees
  - Self-employed differ from individual informal workers.
  - Change in distribution of self-employed and informal employees?