Analysis of the hysteresis of unemployment in Mexico in the face of macroeconomic shocks

Análisis de la histéresis del desempleo en México ante shocks macroeconómicos

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Abstract

This research presents the behavior of the Mexican unemployment rate and shows the dependence with own history and macro variables. The concept of hysteresis or persistence tries to separate this inertia in the unemployment rate and some macroeconomic and endogenous factors. The results show a high inertia in the Mexican labor market, justified by the monetary levels and the dependence of the investment levels, considering the shocks of exports that affect the unemployment in the long term.

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Resumen

Este estudio expone el comportamiento de la tasa de desempleo para México y muestra la dependencia con su propia historia con variables macro. De esta manera se incorpora el concepto de histéresis o persistencia que intenta separar esta inercia en la tasa de desempleo y algunos determinantes macroeconómicos endógenos. Los resultados obtenidos muestran una inercia elevada en el mercado laboral mexicano, justificada por los
niveles monetarios, así como la dependencia de los niveles de inversión, sin dejar de considerar que los shocks de las exportaciones afectan al desempleo en el largo plazo. © 2017 Universidad Nacional Autónoma de México, Facultad de Contaduría y Administración. Este es un artículo Open Access bajo la licencia CC BY-NC-ND (http://creativecommons.org/licenses/by-nc-nd/4.0/).

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Palabras clave: Histéresis; Tasa de desempleo; Política monetaria; Mercado laboral; Métodos econométricos

Introduction

When dealing with issues related to the uncertainty of economic agents, to analyze the macroeconomic variables through their historic evolution is usually of great interest; consequently, the making of decisions in economic policies is important. In this investigation, the main objective is to analyze the variable of Unemployment in Mexico through an econometric model, to determine in a real perspective the impacts on the behavior of the Mexican economy and its corresponding magnitudes in production, monetary offer and the external sector.

Based on the INEGI (2015) statistic that was analyzed, it is important to mention that in Mexico there has been a difficulty regarding the Unemployment variable to adjust to the levels observed between the year 2000 and before the global financial crisis of 2008; when it presented an average rate of 2.96% in each quarter. Said situation has given rise to some questioning in the Mexican economy environment regarding the policies and plans of labor policies in the country, given the fact that in the last two presidential administrations, the average in the same temporal cuts of analysis, unemployment has been of 4.93%, i.e., higher by almost two percentage points, which reflects a lower labor stability for Mexican society in the long run.

The obvious importance of understanding the unemployment phenomenon in Mexico, lies in the characterization of the dynamic of the same in the face of the magnitude of the shocks that the Mexican economy is subject to in different stages of the economic cycle, taking into consideration the possible multiple balances and the memory of the behavior. With this it is possible to respond to the persistent behavior of the Unemployment issue, not only from the point of view of social protection and the labor reform recently implemented in the last two years, but also from the point of view of a macroeconomic stabilization policy.

The structural changes, reforms and low economic activity, compared to the persistent behavior of unemployment in Mexico, reflects an econometric analysis of great importance in order to determine the temporary effects with macroeconomic variables representative of the economic activity of the country. Economically defining the hysteresis in a time series, it is merely the long-term impact that remains in said series due to an endogenous or exogenous shock, i.e., a deviation due to an economic-structural change (Trejo & Vengas, 2010). Other investigations such as that of Wyplosz (1987), mention that this can be illustrated with the simple case of a dimensional linear discreet time system, in which the unemployment rate is subject to the lag of the variable and an error consideration or variables that are not considered in the system. Cross (1993) also mentions that more serious recessions could unchain answers that ensure that the current real unemployment rates have a persistent effect or even a permanent one on the balance rate. However, in light of

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1 Even though the information consulted was from monthly reports, the required cuts for the analysis were quarterly.

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