

Technological Unemployment in Mexico. An Analysis of Structural Decomposition

Topic: 716X Employment Analysis (2)

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It is known that the introduction of new technologies and techniques can lead to the displacement of workers, nevertheless, according to classical economics, there are several compensation mechanisms that enable to offset such negative effects. Therefore, the aim of this paper is to determine if the displacement effect is greater than the compensation effect or vice versa, or in other words, to determine if the net effect of the introduction of new techniques on the Mexican level of employment is positive or negative. For this purpose, the magnitudes of the displacement and compensation effects will be measured through the structural decomposition of two pairs of employment matrices that were built utilizing the Mexican Input-Output tables of 2002, 2008 and 2012 reported by the Mexican Office of Statistics (INEGI). The findings suggest that the net effect of the technical change on the Mexican level of employment is negative and that there are sectors such as chemical industries, basic metals and machinery and equipment in which the displacement effect is considerably higher.

Keywords: technological unemployment, displacement effect, compensation effect, structural decomposition.

JEL Codes: O33, C67, J23