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Seminario de Microeconomía Aplicada - Violation and Enforcement of Workplace Regulations: Evidence from Mexican Firm Inspections

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Resumen: This paper studies the characteristics of large formal firms that violate workplace regulations and analyzes how regulatory enforcement affects firms and workers. A stylized model in which monopsonistic firms set both wages and working conditions shows that labor market power can lead to violations in workplace regulations, and that the enforcement of such regulations can raise firm employment through an expansion of labor supply. We test the model's predictions using administrative records of stratified random firm inspections in Mexico aimed at enforcing compliance with workplace safety regulations and mandatory worker training, linked to panel surveys and administrative employer-employee data for large manufacturing firms. Consistent with our model, firms that are more likely to be found in violation of regulations have lower productivity, employ a smaller share of women, are located in more concentrated labor markets and have a higher labor market share. We then show that inspections lead to higher levels of regulatory compliance, reflected in greater investment in worker training and fewer workplace accidents. Using a staggered difference-in- differences design, we estimate that inspections increase firm employment by approximately 4\% within one year, explained by both an increase in total firm hires and higher retention rates of incumbent workers. Average firm wages decrease by less than 2%, driven equally by changes in workforce composition and adjustments in firms' average wage-setting. Back-of-the-envelope calculations bound workers' willingness to pay for an inspection between 1% and 10% of pre-inspection wages. Our results indicate that enforcing workplace regulations among large manufacturing firms can be an effective policy tool to improve working conditions and mitigate the effects of labor market power.

Acerca del expositor: Jorge Eduardo Pérez Pérez es Investigador Económico en el Banco de México (Banxico), especializado en microeconometría aplicada, economía laboral, urbana y pública. Tras graduarse en la Universidad del Rosario, obtuvo su maestría y doctorado (Ph.D.) en Economía por Brown University. Sus investigaciones han sido publicadas en prestigiosas revistas académicas internacionales, tales como World Development, Stata Journal, and Labour Economics.

Tiempo de exposición: 1 hora y 30 minutos.