

Samuel Leyton

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Current Position	Postdoctoral Fellow Institute of Economics, Academia Sinica, Taiwan	<i>February 2024</i>
Education	PhD. Public Economics National Graduate Institute for Policy Studies (GRIPS), Tokyo	<i>January 2024</i>
	M.A. in Economics Pontificia Universidad Catolica de Chile (PUC)	<i>December 2017</i>
	B.A. in Business and Economics Pontificia Universidad Catolica de Chile (PUC)	<i>December 2015</i>
Research Interests	Primary: <i>Macroeconomics</i> Topics: Political Economy, Public Economics, Labor Economics, Social Insurance Programs	
Academic/ Professional Activities	Researcher at CLAPES-UC, PUC Chile	<i>April 2018- September 2020</i>
	Intern at the Central Bank of Chile, Financial Stability Division	<i>December 2015- March 2016</i>

Research Assistance	Minchung Hsu, National Graduate Institute for Policy Studies (GRIPS)	<i>2021-Present</i>
	Sergio Urzua, University of Maryland and CLAPES-UC	<i>2018-2020</i>
	Salvador Valdes-Prieto, Economic Institute PUC Chile and CLAPES-UC	<i>2018-2020</i>
Teaching Assistance	<i>Graduate (GRIPS):</i> Microeconomics I and Microeconomics II, for Yuqing Xing	<i>2023-2024</i>
	<i>Graduate (GRIPS):</i> Advanced Microeconomics I (x2) and Advanced Microeconomics II (x2), for Akio Yamazaki	<i>2021-2022</i>
	<i>Undergraduate (PUC Chile):</i> Applied Economic Analysis (x7), for Francisco Gallego	<i>2014-2017</i>
Articles	Leyton, S., Urzua, S. (2019). “Institucionalidad Estadística y Políticas Públicas (Statistical Institutions and Public Policy). Informe Annual 2019 Comisión Nacional de Productividad, National Productivity Commission of Chile, 2019, https://cnep.cl/estudios/informe2019/ , pp. 17-34	
Working Papers (full drafts available)	“Labor informality and redistribution: a political economy equilibrium”	
	“Why does informality persist despite economic growth? A political economy perspective”	
	(Submitted) “Inequality in pension contribution gaps”— with Salvador Valdes-Prieto.	
	“Labor informality and life cycle wage growth: the case of Chile”— with Minchung Hsu.	
Work in Progress	“Life cycle wage growth across countries: does economic development matter?”— with Minchung Hsu	
Policy Analysis Documents	“Social Insurance Contributions: Frequency vs. Earnings” (with Salvador Valdes-Prieto), November 2019, Institute of Economics, P. Universidad Católica de Chile, Santiago. ISSN (electronic edition) 0717-7593.	

“How much can the Chilean economy grow steadily?” (with Luis Felipe Lagos), April 2019, CLAPES-UC (in Spanish).

Academic Conference Presentations	[1] AMES (Asian Meeting Econometric Society) July 2023 at Singapore: “Labor informality and redistribution: a political economy equilibrium”	2023
	[2] SAET (Society for the Advancement of Economic Theory) July 2023 at Paris: “Labor informality and redistribution: a political economy equilibrium”	2023
	[3] WEAI (Western Economic Association International) July 2023 at San Diego: “Why is informality so persistent? A political economy perspective”	2023
	[4] SIGMA (Societal Impact & Global Management Alliance) symposium May 2023 at Hitotsubashi University: “Labor informality and redistribution: a political economy equilibrium”	2023
	[5] SIGMA (Societal Impact & Global Management Alliance) symposium May 2023 at Hitotsubashi University: “Inequality in pension contribution gaps”	2023
Grants and Fellowships	GRIPS Fellowship	2023
	Japanese Government (MEXT) Scholarship	2020
Professional Memberships	Econometric Society	2023 - Present
	Chilean Society of Public Policy	2019 - Present
Other	<p>Programming: Matlab, Stata, LaTeX, Microsoft Office</p> <p>Language: English(Fluent), Spanish(Native), Japanese(Beginner)</p> <p>Gender: Male</p> <p>Citizenship: Chilean</p> <p>Born: 1993</p>	

Research:

1. Job Market Paper: “Labor informality and redistribution: a political economy equilibrium”

This paper proposes a political economy explanation for high labor informality in developing countries, focusing on the prevalence of jobs without social security coverage: politicians choose not to enforce formality for personal benefit. Our two-period OLG model features heterogeneous agents and two policies determined through probabilistic voting: the amount of a non-contributory basic pension for low-income retired workers funded with consumption taxes and the degree of enforcement of contributions to a mandatory provident fund (compulsory savings). Due to uncertainty about voters' ideology, politicians choose policy instrument levels to maximize the weighted welfare of voters. In response to income inequality, politicians increase the basic pension for retired low-income workers, discouraging active workers from saving for retirement. Aligning with worker preferences, politicians relax enforcement of contributions to the provident fund, resulting in a lower labor formality rate. Empirical analysis validates the models' predictions. We highlight the case of Chile's public-sector employees, where a substantial portion is exempt from pension contributions. Additionally, using a panel spanning 61 countries from 1998 to 2019, we establish a robust negative correlation, both cross-country and over time, linking inequality with the labor formality rate.

2. Working Paper #1: “Why does informality persist despite economic growth? A political economy perspective”

Theory posits that economic growth should lead to significant reductions in the size of informal markets; however, several fast-growing developing countries show persistent labor informality rates in past decades. This paper presents a political economy theory and evidence to explain the persistence of labor informality. Our two-period OLG model features heterogeneous agents and two policies determined through probabilistic voting (Lindbeck & Weibull, 1987): the degree of enforcement of contributions to a provident fund, determining the labor formality rate, and a basic non-contributory pension for retired workers, funded with a flat tax on consumption. We calibrate the model to Chile, where the share of employment contributing to the pension scheme rose from 64% to 68%, despite tripling its GDP per capita between 1996 and 2017. Counterfactual analysis shows that stagnant labor formality results from the opposing effects of two transformations, applicable to many developing countries in recent decades: fast and persistent economic growth and the increase in the proportion of older citizens. These predictions of the calibrated model are empirically validated with a panel of 63 developing countries between 1999 and 2019.

3. Working Paper #2: “Labor informality and life cycle wage growth: the case of Chile”
(with Minchung Hsu)

In the present paper we (i) study wage-experience profiles and obtain measures of returns to actual work experience using panel data from Chile, and (ii) show that workers that predominantly engaged in formal employment, where social security contributions are paid, experience life cycle wage growth that is more than three times higher compared to workers engaging primarily in informal employment. Given that labor informality is more prevalent in developing countries, our finding represents a feasible explanation for wage-experience profiles being considerably steeper in developed countries (Lagakos et al. 2018). Our survey panel data is for a period of 14 years, from 2002 to 2015. This is merged at the worker level with administrative data on life time contributions to social security. This seems to be the longest panel dataset available for a developing country.

4. Working Paper #3: “Inequality in pension contribution gaps” (with Salvador Valdes-Prieto)

Contributory pensions are reduced by gaps in contribution histories. Using a 14-year panel from Chile, this paper quantifies gaps for each decile of earnings of labor market participants. We find substantial inequality: gaps are largest for the lowest earners, then fall with earnings until a threshold is reached in the 4th decile and remain constant for higher earnings. Thus, low earners bear the largest cuts to replacement rates in old age. We find that gap inequality cannot be detected from data on beneficiaries if access to pensions requires 10 or 15 years of contribution, as in the U.S.A. and Spain. We review explanations of why legal exemptions from contribution and weak enforcement are widespread and persistent. We document the prevalence among opinion leaders of the view that “gaps are good” for low earners. The opposite view, namely that gaps are bad for low earners, is backed by much of the evidence.