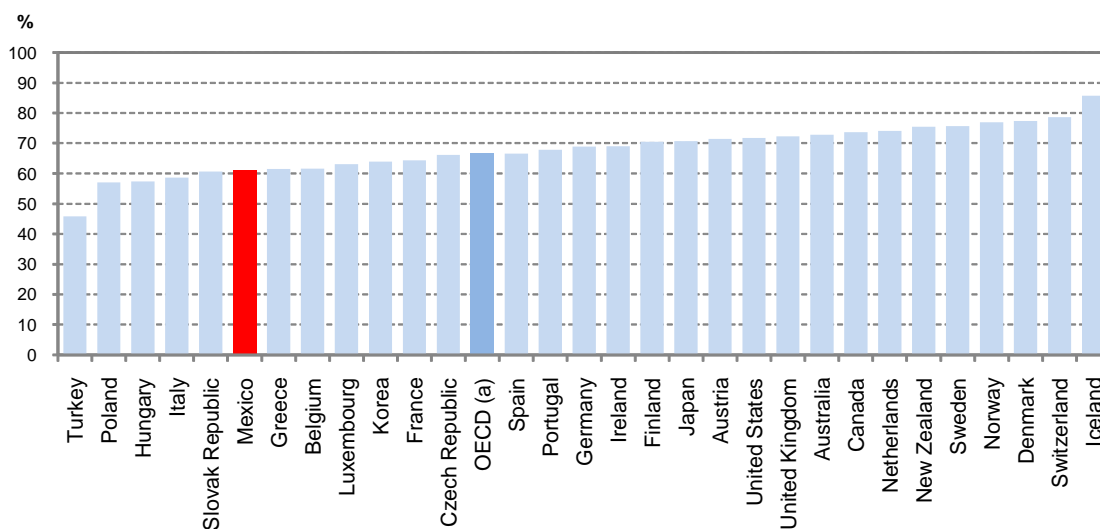


## Employment Outlook 2008 - How does MEXICO compare?

**Mexican labour market conditions have improved but remain below OECD average.** The unemployment rate has fallen since the mid-1990s and it is now at 3.3%, well below OECD average of 5.6%. At the same time, however, only 61.1% of people of working age have a job, compared with over 70% in the best-performing OECD countries like Canada, Denmark, the Netherlands, New Zealand and Sweden (see Figure 1). At 43.6%, employment rates of women are the lowest of the OECD after Turkey.

Figure 1. **Proportion of people of working age who are employed**  
Employment as a percent of population aged 15-64, 2007



a) Weighted average of OECD countries.

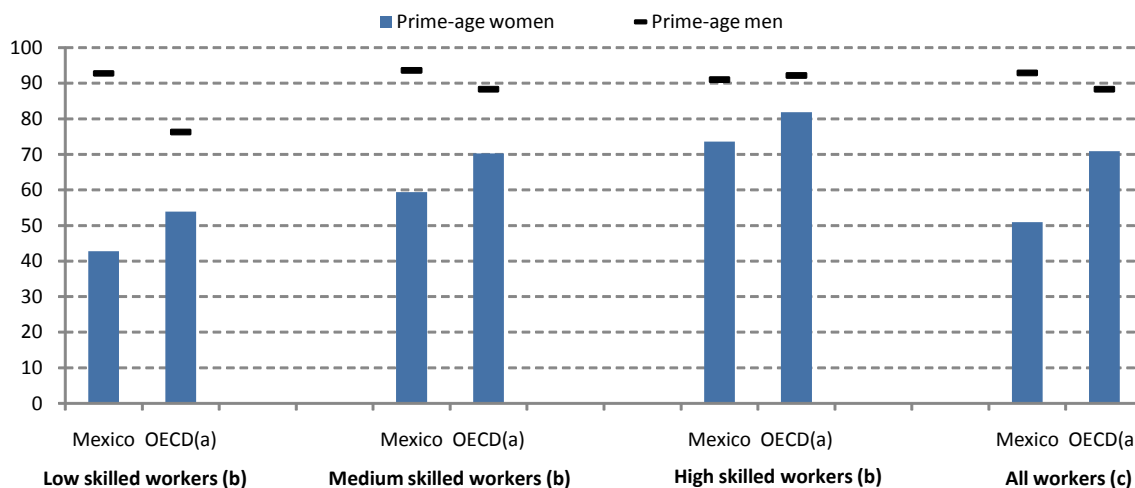
Source: OECD (2008), *OECD Employment Outlook*, Paris.

**In Mexico, almost half of women aged 25-54 do not work, the worst performance in the OECD area after Turkey.** This stands in sharp contrast with the labour market situation of their male counterparts: 93% of them have a job, the highest employment rate in the OECD, after Iceland. Investing in human capital is crucial in Mexico: this would foster economic prosperity, but also gender equality. Educational attainment is only part of the story, however. At all levels of education, gender disparities in employment are greater than the OECD average: the gap in employment rates between men and women with primary education in Mexico is more than twice that of in the OECD average, and among population with tertiary education the gap is still 1.7 time larger. The *OECD Employment Outlook* points out that labour market discrimination is likely to be an important factor here.

**Compared to many other OECD countries, Mexico was somewhat late to take strong policy initiatives to fight discrimination in the workplace.** Nowadays, the Mexican national strategy to fight discrimination appears to be quite comprehensive. Beyond legislative efforts, it puts strong emphasis on information campaigns to raise the social acceptance of the principle of equal treatment. A strong focus is also placed on enforcement issues. Some important weaknesses remain, however. In particular, compensatory damages granted to victims of discrimination are, at best, uncertain, which may discourage them to take actions. In practice, the success of this strategy will depend on the amount of resources devoted to its implementation, and notably, on the ability of the National Council for the Prevention of Discrimination (*Consejo Nacional para Prevenir la Discriminación*, CONAPRED) to investigate

companies and organisations, and to take, even in the absence of individual complaints, legal actions against employers who operate discriminatory practices.

**Figure 2. A large gender employment gap in Mexico, especially among the low skilled**  
Employment as a percent of population, women and men aged 25-54, 2007



a) Unweighted average of OECD countries.

b) Data for 2005.

c) Data for 2007.

Source: OECD Employment Outlook 2008.

**Informal employment is pervasive in Mexico and combating it requires a comprehensive approach** to reduce the costs and increase the benefits to businesses and workers of operating formally and ensure that regulations are adequately enforced. Informal employment is most common for workers typically disadvantaged in the labour market: women, the low-skilled and either younger or older workers. The majority of informal wage earners earn less than they would in formal salaried jobs suggesting that informal employment is a survival strategy, particularly in the absence of unemployment benefits. However, informality may be a choice for the upper tier of own-account workers. Reducing the costs and raising the benefits of formality requires a multi-faceted strategy.

- Relaxing strict rules on the use of temporary or fixed-term contracts, introducing a probationary period for new hires, removing the requirement to make redundancy payments for workers with little experience and simplifying redundancy procedures could reduce incentives to hire informal workers and make it easier for youth to enter the formal labour market. These reforms could be made more palatable by introducing unemployed individual savings accounts as done in Chile and other Latin American countries.
- The tax system is complex and there are many loopholes, creating opportunities for tax evasion or avoidance. Improving the attractiveness of social protection by unbundling the various schemes and improving the efficiency of management of pension accounts would increase the value to workers of registering for social protection.
- Existing enforcement capacity could be enhanced by improving cooperation and information sharing between tax, social security and labour inspection agencies and targeting inspections in industries with high rates of informality, such as construction, hotels and restaurants and transport. Further efforts to improve governance, increase regulatory certainty and reduce

corruption would contribute to increasing confidence in government and the willingness of both firms and workers to pay taxes.

*OECD Employment Outlook 2008* is available to journalists on the **password protected** web site or on request from the **Media Relations Division**. For further comment on France, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@oecd.org) or Ana Llana Nozal (tel: +33 1 45 24 85 27 or e-mail: ana.llana-nozal@oecd.org) from the OECD Employment Analysis and Policy Division.