The OECD Employment Outlook 2013 looks at labour markets in the wake of the crisis. It includes chapters on the experience of different labour market countries since 2007; employment protection legislation; benefit systems, employment and training programmes and services; and re-employment, earnings and skills after job loss. As always, it includes an extensive statistical annex.

For further information: www.oecd.org/employment/outlook
DOI: 10.1787/empl_outlook-2013-en

The Mexican labour market has performed better than those of most other OECD countries. However, the unemployment rate remains above its pre-crisis level, even if still well below the OECD average.

In 2012, Mexico recorded the strongest economic growth after Chile among OECD countries at 3.9% and the strongest employment growth at 3.3%. The unemployment rate, after peaking at 6.0% in September 2009, declined to 5.2% in April 2013, but remains more than one percentage point higher than before the crisis. According to the 2013 OECD Employment Outlook, this gap may persist over 2013 and 2014, especially in light of weakening economic growth in the OECD area.

Figure 1. Unemployment rate in Mexico and the OECD area

<table>
<thead>
<tr>
<th>Percentage of the labour force</th>
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<tbody>
<tr>
<td>%</td>
</tr>
<tr>
<td>15</td>
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<tr>
<td>10</td>
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<td>5</td>
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<td>0</td>
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</tbody>
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- Trough (country-specific) a
- Current (2012 Q4)
- Projected (2014 Q4)

a) Country-specific trough is derived in terms of the output gap.
b) Aggregate of the 15 OECD countries of the euro area.

Tackling informal employment continues to remain a major challenge in Mexico

More than 60% of employment is informal, which means that many workers remain outside the scope of labour market regulations and social protection. The relatively low unemployment rate is partly explained by the absence of a public system of unemployment benefits which means that many job losers must take up the first employment option available. Hence, those who lost their jobs in the formal sector following the global financial crisis turned to informal employment to compensate for the resulting loss of income. As a result, much of the recent robust employment growth has been in informal jobs. The share of the working-age population in informal employment returned to its pre-recession level in the first quarter of 2013, increasing for women, while that of formal employment remained below its pre-recession level by three-quarters of a percentage point.

Job prospects for youth need to be strengthened

Many Mexican youth (aged 15 to 24), especially young women, remain outside both the labour market and the education and training system. The share of youth not in employment or education and training (NEET) is the second highest among OECD countries after Turkey. More than one-third of young women fall into the NEET category compared with only around one-in-ten young men. Although some young women do not seek employment to engage in child rearing, for others their situation reflects the difficulties young people face in entering and staying in the labour market. The 2013 OECD Employment Outlook shows that NEET rates remained stable in Mexico since the recession even though youth employment declined. This was mainly because of a marked increase of youth enrolled in education and training activities. This pattern is encouraging as raising
education and skill levels facilitates access to formal sector employment.

Figure 2. **NEET rates in Mexico and the OECD area, 2007-12**
Percentage of youth aged 15-24, Q1 2008 and Q1 2013

![Graph showing NEET rates in Mexico and the OECD area, 2007-12.](image)

(a) OECD is the weighted average of 31 OECD countries (excluding Chile, Israel and Korea).

Source: OECD calculations based on national labour force surveys.

### Encouraging greater labour market participation of women

In Mexico, the low labour force participation rate of the working age population relative to the OECD average reflects the low share of women participating in the labour market. In the third quarter of 2012, the participation rate of women was 47% in Mexico, the lowest rate in the OECD area after Turkey. This rate remained globally unchanged from its pre-recession level. Raising the participation rate of women by improving their employment opportunities would help to promote Mexico’s economic growth potential and reduce the risk of poverty.

### There is still a need for more flexible regulation of open-ended contracts to encourage formal employment

While the November 2012 labour market reform can be expected to stimulate job creation, promote formal employment and social protection for labour market participants, there is still a need for more flexible regulation of open-ended contracts to encourage formal employment. The reform made regulations of temporary contracts considerably less restrictive (notably by liberalising temporary-work agencies). While Mexico used to have the second strictest regulation among the OECD after Turkey before the reform, the indicators of employment protection for temporary contracts presented in the **OECD Employment Outlook** show that this regulation is now less strict than in fifteen other OECD countries.

However, the reform did little to change Mexico’s restrictive regulation of open-ended contracts, except for the extension of the maximum duration of probationary periods and the introduction of a cap to backpay in the case of unfair dismissal. In contrast, one-third of OECD countries during the past five years have undertaken reforms to make their legislation for regular workers on open-ended contracts more flexible, notably in countries with the most restrictive legislations on individual and collective dismissals prior to the global financial crisis.

Drawing from the experience of many OECD countries in the 1990s, the **OECD Employment Outlook** warns that, in the absence of further reforms as regards dismissal restrictions, the Mexican labour market may remain highly segmented, with informal employment being simply substituted by – still precarious – temporary employment. Mexico should consider widening the cases in which dismissals for personal reasons is considered to be fair (notably including significant falls in individual performance), lowering the employer’s cost of dismissal for economic reasons and making less burdensome the remedies imposed on firms if dismissal is judged to be unfair (except in cases in which worker basic rights have been violated, such as discrimination cases). In order to improve equity, however, these measures should be accompanied by further action geared at strengthening enforcement of those court rulings that are in favour of workers, notably as regards payment of compensation.

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**OECD Employment Outlook 2013** is available to journalists on the password-protected website or on request from the Media Relations Division. For further comment on Mexico, journalists are invited to contact Mark Keese (+33 1 45 24 87 94; mark.keese@oecd.org) or Pascal Marianna (+33 1 45 24 92 23; pascal.marianna@oecd.org) from the OECD Employment Analysis and Policy Division.