



## OECD Employment Outlook 2014

The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: [www.oecd.org/employment/outlook](http://www.oecd.org/employment/outlook)

DOI: [10.1787/empl\\_outlook-2014-en](https://doi.org/10.1787/empl_outlook-2014-en)

### The Mexican labour market continues to perform better than most other OECD countries in terms of unemployment ...

After recording one of the strongest rates of growth in the OECD area (3.7%), economic growth in Mexico slowed down to 1.3% in 2013, and unemployment increased by 0.1 points (to 5.0% in Q2 2014). GDP growth is expected to return to rates of over 3% in the second semester of 2014 and 2015, and unemployment is expected to decrease from 5.0% to 4.5% in Q4 2014.

Although unemployment rates are low, the employment rate, at 60.9%, is also lower than those of other OECD countries. Many youth and women remain out of the labour force. While, on average across OECD countries, 62.7% of women are employed or seeking employment, this is the case for only 47.3% of Mexican women. Almost 40% of Mexican young women are neither in employment nor in education or training (NEETs), the second highest rate among OECD countries after Turkey.

### ...but more needs to be done to foster participation in the labour market, improve job quality ...

Labour market performance should not, however, be judged solely on the basis of the number of jobs available and the number of people in the labour force. Mexico's labour market challenges also include improving the quality of jobs and reducing informality.

The 2014 *OECD Employment Outlook* paints a broad picture of job quality across

OECD countries, based on three dimensions: earnings quality, job security and quality of the job environment (data corresponds to 2010).

Earnings quality in Mexico is the lowest in the entire OECD, because of its relatively low levels of average earnings and the third highest level of earnings inequality. Moreover, Mexico's quality of the working environment is close to that of the OECD median level as they have relatively good access to resources and support to accomplish their tasks even if they face relatively high job demands.

### Job quality and job opportunities (2010)



Source: OECD Employment Outlook, 2014.

### ... and tackle informality...

Although by official accounts the share of informal work is decreasing, almost 60% of Mexican employment is still in the informal sector and the labour market is heavily segmented across the informal and formal sectors. Many of the jobs created in the years following the global financial crisis were in the informal sector and the robust Mexican

employment growth indicators are led by increased employment in the informal sector.

Labour market segmentation, like that in Mexico, can have an adverse impact on both equity and efficiency, as workers in the informal sector experience a higher degree of insecurity; informality limits economies of scale; and firms in the informal sector invest less in their workers which dampens productivity growth.

**...to ensure a labour market that promotes equity and efficiency.**

The initiatives included in the new Labour Law adopted in November 2012 have the potential to improve the functioning of the labour market, strengthen the creation of formal jobs while providing better protection of vulnerable workers and increasing the adaptability of the labour market.

These changes need to be followed up to avoid the creation of another form of labour market duality between temporary and regular work arrangements, for example. Countries that have succeeded in reducing labour market dualities have moved towards a convergence of work arrangements with complementary reforms to be effective.

The ease with which workers in Mexico find jobs also reflects the lack of unemployment insurance: workers are often forced to find a job, any job, as quickly as possible to maintain some income and avoid falling into poverty. In many instances, workers do not have the time to find a job that matches their skill or qualification level. It also means that workers may move from the formal sector into the informal sector.

The recently-announced introduction of a national unemployment benefits scheme may reduce incentives for workers to transition out of the formal sector and improve earnings quality. Over time, it will be important to

accompany the income support to the unemployed with adequate re-employment services and active job search requirements while also monitoring whether recipients of unemployment benefits supplement them with informal work. Moreover, the scheme currently discussed will not give access to workers in the informal sector to any form of unemployment protection.

More needs to be done to reduce informality with special care taken to avoid any measure resulting in the exclusion of workers from the labour force. Moving towards a well-designed Universal Social Security System, for example, may further enhance incentives – for workers and employers – to remain in or join the formal sector of the economy.

The introduction of a “simplified employment” agreement for seasonal and temporary workers may reduce informality and tax and social security evasion. In such a scheme, firms can employ workers for a maximum number of days per year in seasonal and temporary jobs (e.g. 120 days). There are no quotas on the use of seasonal workers and temporary workers cannot exceed around 20% of workers in the firm. The agreement does not require a written employment contract, only registration that can be done by email or by phone.

In relation to the recent discussion on the minimum wage in Mexico, the OECD welcomes the government’s efforts to guarantee the well-being of citizens and is confident that the results of the analyses will lead to an adequate wage level, strengthen economic growth as well as formal job creation.

---

**OECD Employment Outlook 2014** 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](mailto:mark.keese@oecd.org)) or Guillermo Montt (+33 1 45 24 92 92; [guillermo.montt@oecd.org](mailto:guillermo.montt@oecd.org)) from the OECD Employment Analysis and Policy Division.

OECD Employment Outlook 2014  
How does MEXICO compare? © OECD September 2014  
Last updated: 17-Nov-2014