THE FUTURE OF WORK
How does MEXICO compare?

OECD Employment Outlook 2019

The Mexican labour market is polarising and it predominantly generates low-skill jobs

<table>
<thead>
<tr>
<th>Country</th>
<th>Change in Low skill</th>
<th>Change in Middle skill</th>
<th>Change in High skill</th>
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<tbody>
<tr>
<td>Mexico</td>
<td>-15</td>
<td>-10</td>
<td>-5</td>
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<tr>
<td>Brazil</td>
<td>-5</td>
<td>0</td>
<td>5</td>
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<td>Chile</td>
<td>10</td>
<td>15</td>
<td>20</td>
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<tr>
<td>OECD</td>
<td>-8</td>
<td>-10</td>
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Note: Percentage points change in share of working adults in each skill group, mid-1990s to mid-2010s.

The quantity of jobs may not fall, but job quality and disparities among workers may worsen

Despite widespread anxiety about job destruction driven by technological change and globalisation, a sharp decline in overall employment is unlikely. While certain jobs may disappear (14% are at high risk of automation), others will emerge, and employment has been growing overall. However, transitions will not be easy. There are concerns about the quality of some of the emerging new jobs and, without immediate action, labour market disparities may grow, as certain groups of workers face greater risks than others.

- Concerns of growing labour market disparities are particularly stark in Mexico, where job polarisation has resulted in a growing share of low-skilled jobs relative to middle-skilled and high-skilled ones.
- Going forward, as new technologies permeate the labour market, the risk of automation in Mexico may be an important concern, as the share of employment in the manufacturing sector (17%) is above the OECD average (14%).
- Certain forms of non-standard work are particularly prominent. In particular, at 26.8%, the rate of self-employment is almost twice as high as the OECD average (14.2%). Since these jobs are typically characterised by weaker protections and social security, restricted access to training opportunities, and limited collective representation, they may result in lower job-quality for workers. Furthermore, in Mexico the majority of self-employment is informal (78% in 2017), posing additional challenges for policy.

Young workers and those without tertiary education face the most significant risks

The labour market experiences of many young people and of those with less than tertiary education have worsened over the past decade. In fact, young people with less than tertiary education have been particularly affected, with more of them being under-employed, non-employed or receiving low pay. Women are particularly at risk, but increasingly men are also being affected.

- The share of youth who are not in employment education or training (NEET) in Mexico (21% in 2017) is significantly above the OECD average (13.2%).
- Over the past decade, Mexican youth (20-30) who have left education have experienced an increase in the probability of being out of work from 35% to 38%. Such increase was slightly smaller than the one experienced by OECD countries on average (a change of 4 percentage points).
- However, unlike in most other countries, young workers with medium and high levels of education have not seen an increase in their likelihood of being in low-paid employment.
A key challenge is to extend labour law protections beyond standard employees

Labour market regulation plays an important role in protecting workers, but many non-standard workers are weakly covered or not covered at all. The rights and protections of non-standard workers can be strengthened by: tackling false self-employment, including scaling back tax incentives to misclassify workers; extending protections to workers in the grey zone between self- and dependent employment, including many platform workers; and addressing excess employers’ market power.

- Mexico could benefit from the experience of OECD countries that have extended certain labour-law protections to certain categories of self-employed (such as the “dependent self-employed”, who are financially dependent on one or few clients). Currently, Mexican workers who fall within specific categories of self-employment (e.g., sales representatives and sales promoters) are automatically re-classified as salaried workers and entitled to all the rights, benefits, and obligations of a standard employee. However, the limited scope of this provision leaves unprotected a number of self-employed who share characteristics and vulnerabilities with dependent employees.

- The OECD Employment Outlook 2019 suggests that non-compete covenants – contract clauses preventing workers from working for a competitor after they separate from the employer – are often used to reduce competition in the labour market and increase employers’ market power, especially in the case of particularly vulnerable workers. By banning non-compete covenants altogether, Mexico, with the US states of California and North Dakota, has one of the most advanced regulations in this area within the OECD.

- Since the majority of employment in Mexico is informal, however, such regulations may have a limited application in reality. Reducing informal employment, should therefore remain a policy priority. Broadening the scope of regulation and improving its enforcement, including through a better resourced labour inspectorate, are crucial steps in a broader policy strategy.

Collective bargaining, though under strain, can help shape the future of work

Collective bargaining can help workers and companies define new rights, adopt and regulate new technologies and foster labour market security and adaptability. Yet it is challenged by increases in non-standard work, on top of a decades-long weakening of union representation leaving employers without a clear counterpart. Better including non-standard workers calls for tailored adaptation of regulations and stronger efforts by social partners.

- In Mexico, the proportion of union members among employees fell from 28.5% in 1984 to 12% in 2018, while the proportion of employees covered by collective agreements declined from 13.2% (1994) to 12.5% (2016).

- The large shares of self-employment and informality in Mexico pose additional challenges to collective bargaining, as those workers are typically not unionised.

Adult learning is key to help the most vulnerable navigate a changing labour market

Adult learning is becoming increasingly important to help individuals to maintain and upgrade their skills throughout their working lives. Yet most adult learning systems are ill equipped for this challenge. 40% of adults train in a given year on average across the OECD, but those who need training the most, including non-standard workers, train the least and training is not always of good quality.

- Many low-skilled adults lack the time to participate in lengthy training programmes due to work and family responsibilities. Modular training, based on self-contained and certified modules, can encourage the low skilled to learn at their own pace.

- In Mexico, the Model for Life and Work Programme (MEVyT) allows low-skilled adults to gain qualification through different modules at initial, intermediate (primary education) and advanced (lower secondary education) level.

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