

## Social and welfare issues

### THE NEET CHALLENGE – HELPING JOBLESS AND DISENGAGED YOUTH

- ▶ 22% of Mexican youth were not in employment, education or training (NEET) in 2015, the fifth highest rate in the OECD.
- ▶ Young women are four times more likely to be NEET than young men, the second highest gender gap in the OECD. Cultural attitudes play a role but so does access to affordable childcare.
- ▶ More than half of young Mexicans did not complete their upper secondary education and this group is particularly at risk of being a NEET.

#### What's the issue?

Despite a recent decline, 22% of 15-29 year-olds in Mexico were NEET in 2015, the fifth highest rate among OECD countries and substantially above the OECD average of 15%. Only about 1 in 6 of them was actively looking for a job, compared to about 1 in 3 on average in OECD countries. Informality also remains an issue for young people in Mexico – 70% of employed 15-29 year-olds in Mexico work in the informal sector and around one fifth of youth leaving school enter into employment in the informal sector.

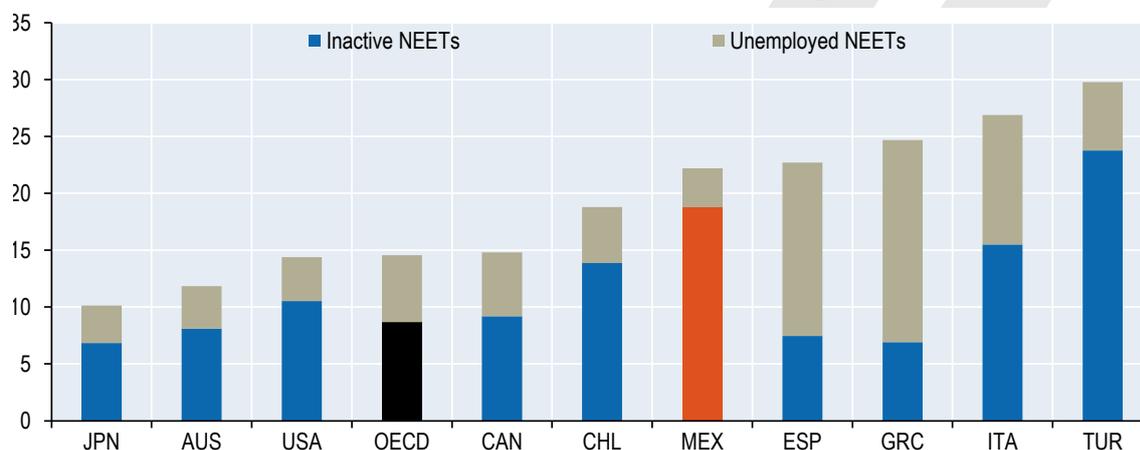
Most inactive youth in Mexico are women: Mexican young women are nearly four times more likely to be NEET than Mexican young men. Together with Turkey, this is the highest gender gap among OECD countries – on average in the OECD, women are 1.4 times more likely to be NEET than men. Mexico also has one of the lowest employment rates of mothers with young children in the

OECD. Less than the half of all mothers whose youngest child is between 3 and 5 years old are employed in Mexico, compared to the OECD average of two-thirds. At the same time, Mexico has the highest rate of adolescent fertility among OECD member countries and this has seen little change over the last few decades. In 2013, nearly half a million women and girls under 20 became mothers, equal to almost one in five births in Mexico. One explanation for the high female NEET rates in Mexico may be the traditional gender-related assignment of roles, with women doing most of the unpaid domestic work and caring for children. However, not all young women in this situation are unwilling to work – a lack of full-time early childhood and education facilities prevents many mothers from combining work and family responsibilities.

Early school leaving remains another important

#### Mexico's NEET rate is well above the OECD average

Share of 15-29 year-olds who are not in employment, education or training, selected OECD countries



Source: OECD (2016), Society at a Glance 2016: OECD Social Indicators, OECD Publishing.

challenge for Mexico. In 2014, nearly 60% of 25-34 year olds in Mexico had not completed their upper secondary education, the highest rate in the OECD. The NEET rate for young people who failed to complete upper secondary school is 35% and this group accounts for three quarters of all NEETs in Mexico. This compares to a NEET rate of 16% for those who have a tertiary education degree, who account for just 7% of the NEET population.

### Why is this important for Mexico?

Reducing the number of youth who are low-skilled, NEET or working in the informal sector is a policy priority. Poor educational attainment and skill levels may hamper future economic growth: more than 30% of firms in Mexico identify an inadequately educated workforce as a major constraint compared to 18% of firms in OECD countries. Being NEET, particularly for a long time period, can be detrimental to a young person's employment and wage prospects. The longer a young person is out of the workforce, the worse these scarring effects become. Job and income uncertainty can keep young people from reaching other traditional markers of adulthood, leaving them disenchanted and discouraged.

From an economic point of view, young people being out of the workforce imply costs in terms of foregone earnings and taxes that would have been paid on these earnings for those in the formal sector. Some NEETs may also be receiving benefits paid by the state, although the social safety net is small in Mexico and those not entitled to any benefits are likely at risk of poverty. Informal work, on the other hand, leaves young people without the social protection and general entitlements of the formal sectors.

Being NEET or reliant on insecure, informal employment that offers little protection can also have serious long-term effects on health, fertility and crime, and eventually endanger social cohesion. NEETs are often less likely to be politically engaged and less satisfied with their life. For example, less than 30% of all youth in Mexico express confidence in the transparency of election results. For Mexico, NEET and youth informality issues also suggest a strong perpetuation of intergenerational disadvantage, as most NEETs come from poor or vulnerable backgrounds and youth from these backgrounds are more likely to be informally employed.

### What should policy makers do?

- ▶ Continue to improve the quality of teaching and promoting better school-to-work transition to help reduce early school leaving, particularly for those from lower income families, also through the continued use of cash transfer programmes (such as *Oportunidades/Prospera*) conditional on school attendance.
- ▶ Encourage the participation of young women in the workforce and help reduce the burden of unpaid care on women through the provision of childcare.
- ▶ Extend the length of paternity and maternity leaves.
- ▶ Make paid employment more attractive to women by improving the compatibility of employment and family life through efforts to reduce long working hours and encourage the use of flexible work arrangements.
- ▶ Continue efforts to promote formality by ensuring that the reforms laid out in the *Pacto por Mexico* agreement are fully implemented and assessed.



### Further reading

- OECD (2017), *Building an Inclusive Mexico: Policies and Good Governance for Gender Equality*, OECD Publishing, forthcoming.
- OECD (2016), *Society at a Glance 2016: OECD Social Indicators*, OECD Publishing. <http://dx.doi.org/10.1787/9789264261488-en>
- OECD/CAF/ECLAC (2016), *Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship*. <http://dx.doi.org/10.1787/leo-2017-en>
- OECD (2015), *OECD Economic Surveys: Mexico 2015*, OECD Publishing. [http://dx.doi.org/10.1787/eco\\_surveys-mex-2015-en](http://dx.doi.org/10.1787/eco_surveys-mex-2015-en)
- Manpower Group (2015), *Talent Shortage Survey Research Results*, Milwaukee.