

# G20 Statistical Update



International  
Labour  
Office

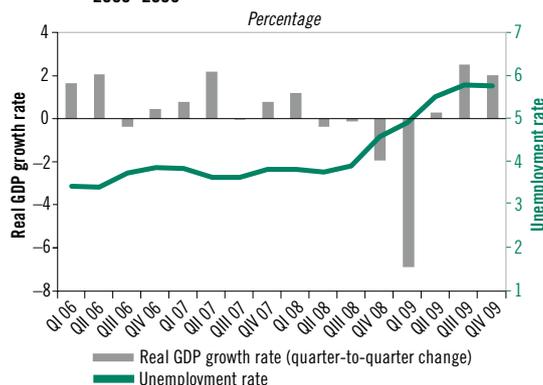
## MEXICO: RISING UNEMPLOYMENT, HIGHER INFORMAL SECTOR EMPLOYMENT AND REDUCED HOURS OF WORK

### Mexican economy experienced major contraction in 2009 leading to labour market deterioration

- During the pre-crisis period of 2004–2007, the Mexican economy expanded at a healthy pace of about 4.0 per cent per year.
- With the onset of the crisis, real GDP contracted by 0.4 per cent in the second quarter of 2008 and remained negative through the first quarter of 2009. Real GDP growth thus slowed to 1.5 per cent in 2008 and contracted by 6.5 per cent in 2009 despite a rebound in the latter part of 2009, primarily reflecting the steep decline (6.9 per cent) in the first quarter. The duration of the contraction lasted only a year.
- Due to the economic shock, the unemployment rate rose sharply from 3.7 per cent in 2007 to 4.0 per cent in 2008 and 5.5 per cent in 2009.
- The negative impact of the recession on formal employment was less than originally anticipated.

- National Agreement for Family Economy and Employment, which seeks to protect Mexican employment;
- Employment Preservation Programme (PPE), which offers 2 billion pesos in government subsidies to allow employers to reduce working hours instead of laying-off workers;
- 15.2 billion peso recovery package to address the effect of the H1N1 influenza on the economy.
- National Employment Service (NSE) expanded to include workers who are at risk of losing their jobs or whose incomes have been affected by the economic crisis (for example, underemployed population);
- Improvements in social security coverage and national unemployment service including an expansion of social security coverage to workers forced into early retirement.

Figure 1. Real GDP growth rate and unemployment rate, by quarter, 2006–2009



Source: Instituto Nacional de Estadística y Geografía (INEGI). Seasonally adjusted data.

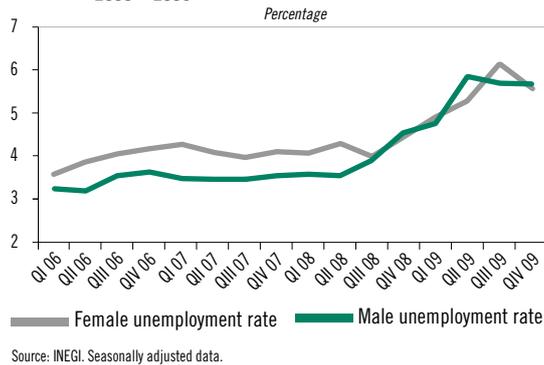
### Unemployment rose among both men and women, but increases were higher among men

- Prior to the crisis, the female unemployment rate was about 0.6 percentage points higher than the male rate.
- Due to the crisis, male and female rates rose and converged, thus closing the gap. From Q1–2008 to Q1–2009:
  - Female unemployment rate increased 1.3 percentage points to 5.5 per cent.
  - Male unemployment rate increased 2.1 percentage points to 5.6 per cent.

### Stimulus package

The stimulus package aimed to boost growth and employment and includes measures under the following programmes:

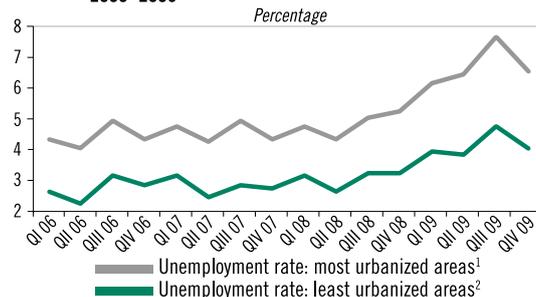
**Figure 2. Male and female unemployment rates, by quarter, 2006–2009**



### Urban unemployment rate increases exceeded those in rural areas

- Rural areas, which suffer the highest concentration of poverty, have lower unemployment rates than urban areas due to poorer access to social safety nets. Rural workers often find work in precarious, poor-wage and low-productivity jobs.
- The unemployment rate in most urbanized areas increased 2.6 percentage points to 7.6 per cent between the third quarter of 2008 and the same quarter of 2009, compared to an increase of 1.5 percentage points to 4.7 per cent in least urbanized localities. The rates declined in the fourth quarter 2009, but remained well above levels of a year earlier.
- In 2009, Mexico's Temporary Employment Programme, originally intended for rural areas, was extended to urban areas. This programme likely prevented further increases in unemployment in both areas in 2009.

**Figure 3. Rural and urban unemployment rates, by quarter, 2006–2009**



Source: INEGI. Data are not seasonally adjusted.

<sup>1</sup> Refers to localities with 100,000 or more inhabitants and/or state capitals.

<sup>2</sup> Refers to localities with less than 100,000 inhabitants.

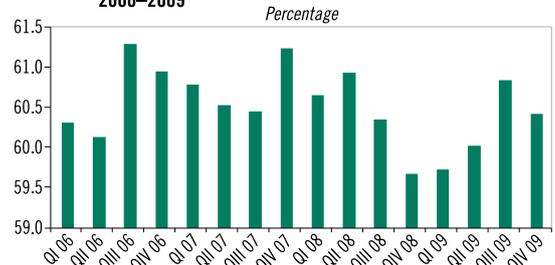
### Mexico's urban labour supply declined sharply during the crisis but has recently rebounded

- The urban labour supply, as measured by the urban labour force participation rate, declined by almost 1 percentage point on average in the second half of 2008 and first half of 2009 to

about 60 per cent. Workers exited the labour force as job opportunities dried up.

- As real GDP growth returned in the second half of 2009, the urban labour supply expanded to around 60.6 per cent, thus nearly returning to pre-crisis levels.

**Figure 4. Urban labour force participation rate, by quarter, 2006–2009**

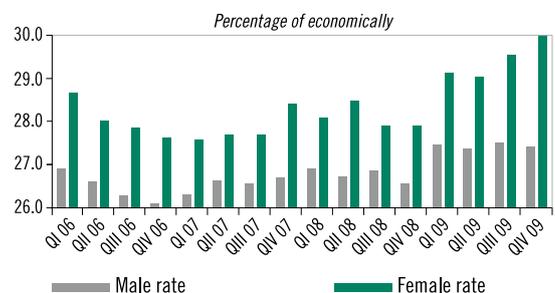


Source: ILO: *Labour Overview (Panorama Laboral) 2009*. Based on household surveys. Data are not seasonally adjusted. Progressive incorporation of 32 main urban agglomerations.

### Informal sector employment rose for both sexes, but increases were higher among women

- Both men and women experience fairly high levels of informal sector employment in Mexico. The rate among women was already higher than men's prior to the crisis (27.9 per cent and 26.5 per cent, respectively, on average from 2006 to 2007) as they confront greater difficulties in securing decent work opportunities in the labour market.
- Since the fourth quarter 2008, the increase in women's informal sector employment has been more pronounced than that for men, and has remained significantly higher.
- From the fourth quarter of 2008 to the fourth quarter of 2009, informal sector employment as a proportion of the economically active population rose as follows:
  - Male: 26.4 per cent to 27.3 per cent
  - Female: 28.0 per cent to 30.0 per cent

**Figure 5. Informal sector employment as a proportion of total, by quarter, 2006–2009<sup>1</sup>**



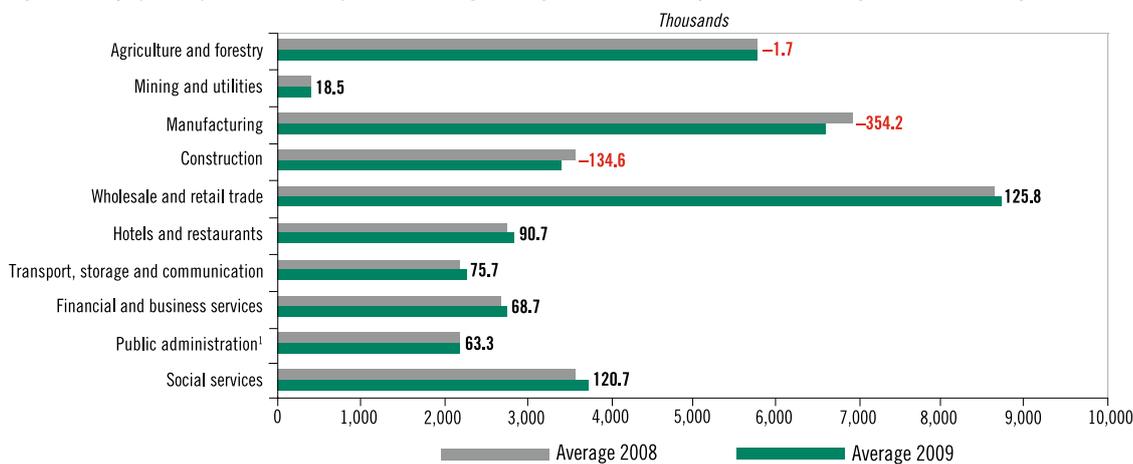
Source: INEGI. Seasonally adjusted data.

<sup>1</sup> Informal sector employment refers to employment in all market based economic activities that operate from household resources but that are not constituted as businesses because of the lack of independence from other household. The operating criterion to determine whether or not a production unit is independent with regard to the household is given by the absence of conventional accounting practices and the lack of distinction between household belongings and firm cash flows.

## Manufacturing employment declines were steep, particularly in high value-added industries exporting to the US market

- Reflecting a net job gain in 2009 in the overall economy, the majority of sectors experienced job creation. Job losses were nonetheless steep in manufacturing (354,200 jobs lost) and construction (134,600) in 2009 compared to 2008.
- While employment in manufacturing remains below pre-crisis levels, the pace of job loss began to slow down in the fourth quarter of 2009. This reversal is mainly attributed to a rebound in manufacturing exports to the United States.
- The recovery of retail sales since QII-2009 is reflected in employment levels. Wholesale and retail trade added 570,300 jobs in the fourth
- Fiscal measures and targeted programmes such as the Employment Preservation Programme seem to have contributed to avoiding further layoffs across the machinery, equipment, and electronic industries. Other initiatives such as the car scrap-age programme may have temporarily contributed to reduce job losses in the automotive industry as implementation took effect in 2009.
- Various initiatives to increase infrastructure spending may further enhance employment prospects in the construction sector where employment declined only 4 per cent in QIV-2009 compared to almost 6 per cent in QIII (year-over-year).

Figure 6. Employment by economic activity, level and change. Average of the first three quarters of 2009 compared with the same period in 2008



Source: INEGI: Encuesta Nacional de Ocupación y Empleo.

<sup>1</sup> Includes workers aged 14 and up. Includes government and international organizations.

Figures next to the bars reflect changes in employment between the two periods.

## Hours worked in manufacturing have decreased during the crisis

- Average hours worked in manufacturing dropped by 14.9 per cent (based on index: from 98.5 to 86.2) between a recent peak in March 2008 and a recent low in May 2009.
- This trend could in part be attributed to Mexico's Programme for the Preservation of Employment which provides subsidies to auto industry, auto parts and electronics employers who reduce employee working hours rather than laying off workers in an effort to preserve employment.
- There has been a slight recovery recently, as manufacturing hours increased 4.3 per cent from May to December 2009, but they remain nonetheless well below pre-crisis levels.

Figure 7. Total hours worked in manufacturing, by month, Jan.–Dec. 2009

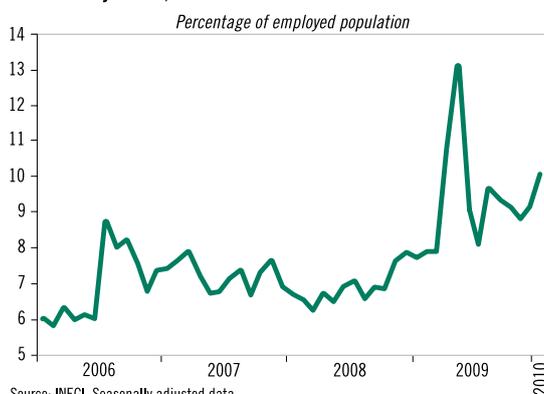


Source: INEGI. Seasonally adjusted data.

## Time-related underemployment is on the rise

- Since 2008 there has been an upward trend in the share of the employed population that desires additional hours of work compared to the amount permitted by their current job.
- The time-related underemployment rate thus rose 3.5 percentage points to 10.0 per cent between a recent low in August 2008 and January 2010.
- The unusual spike in Mexico's underemployment rate in April and May 2009 likely reflects the impact of the H1N1 influenza outbreak on the tourism sector and other economic activities.

**Figure 8. Share of employed population that desires more work, by month, Jan. 2006 – Jan. 2010**

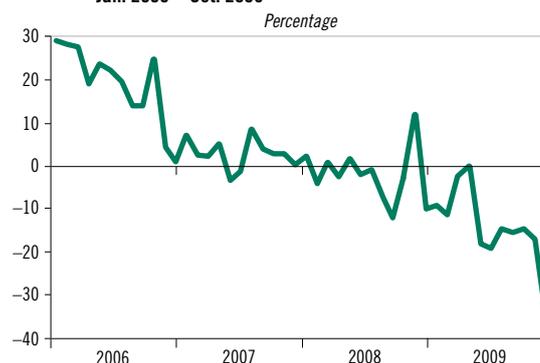


Source: INEGI. Seasonally adjusted data.  
Underemployment refers to the share of the employed population that needs and desires to work more hours than permitted by their current occupation.

## Worker remittances from abroad have declined sharply

- The growth in workers' remittances, which was already declining in 2006 and 2007, continued decreasing with the onset of the crisis, primarily reflecting the poor labour market conditions for migrant workers in the United States (especially in construction and manufacturing).
- The value of workers' remittances declined by US\$624 million over the period October 2006 to October 2009 (US\$2,316 million to US\$1, 692 million).

**Figure 9. Inflow of workers' remittances,<sup>1</sup> growth rate by month, Jan. 2006 – Oct. 2009**



Source: ILO, based on World Bank and Bank of Mexico. Data are not seasonally adjusted.  
<sup>1</sup> Remittance estimates do not include compensation of employees or migrants' transfers.

## Labour market outlook suggests continuing weakness in 2010 despite improved economic environment

Following the sharp economic decline of 6.5 per cent in 2009, real GDP growth is projected to rise between 3.2 and 4.2 per cent in 2010, according to the Bank of Mexico.

Despite this improvement in output, the unemployment rate is forecast to continue rising to 6.3 per cent in 2010 from 5.5 per cent in 2009.

The Mexican stimulus programme is working to preserve employment in highly marginalized areas. The government supported reductions in working hours to avoid layoffs and is creating new laws to extend social security coverage.

Employment in the informal sector has increased since the fourth quarter of 2008 particularly among women, serving as an adjustment mechanism to job loss caused by the economic crisis.

Creating favourable employment conditions for rural and urban workers targeting the high levels of unemployment and informal sector employment should be prioritized in policy interventions.