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# ▶ Social Protection in Action: Building Social Protection Floors for all

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## *Mexico: Unemployment protection in Mexico City*

### Summary

Although Mexico doesn't have a national unemployment protection scheme, Mexico City has been administering its own non-contributory unemployment protection scheme since 2007. The scheme provides income support for residents who have lost their jobs and are seeking to re-enter the formal labour market. It includes cash benefits, vocational training and services to facilitate re-entry into the labour market. It is managed by the Ministry of Labour and Employment Promotion of Mexico City (STyFE).

Despite coverage not being universal among the unemployed, the scheme is a pioneering and innovative initiative for providing more comprehensive social protection in a context in which there is no national unemployment benefit scheme.

The initiative of Mexico City contributes to the provision of basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in cases of unemployment, as mandated by the Social Protection Floors Recommendation, 2012 (No. 202). It is in line with the principles of Recommendation No. 202, in particular the principles of ensuring universality of protection based on

social solidarity and considering a diversity of methods and approaches, including of delivery systems.

### Main Lessons Learned

- ▶ Local-level initiatives, for example at the city or municipal level, can be a way to increase effective coverage, respond to people's needs and serve as a source of inspiration for the rest of the country in progressively achieving universal social protection.
- ▶ Mexico City's unemployment protection benefit has improved income security and social inclusion among the working-age population, which proved particularly effective in the context of the COVID-19 pandemic.
- ▶ The scheme is relatively unique in the region, as it is non-contributory and fully financed by the local government.
- ▶ The Political Constitution of Mexico City, which entered into force in 2018, mandates the city in its article 10.5b to establish an unemployment insurance scheme. Although the city has provided its own unemployment protection since 2007, article 10.5b reinforces its legal foundation in Mexico City.

### Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons. 187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal

social protection. This note presents a successful country experience of expanding social protection.

The initiative of Mexico City in establishing unemployment protection is in line with the principles of Recommendation No. 202, in particular the principles of ensuring universality of protection based on social solidarity and considering a diversity of methods and approaches, including of delivery systems.

## Context

The Mexico City unemployment protection scheme is aligned with the Mexico City Government Programme 2019–2024, in its section 2.1.6 “Sustainable City – Improve social protection in case of unemployment”. The objective is to improve social protection policies by targeting unemployed people; streamlining and modernizing the delivery of unemployment protection benefits in Mexico City through digitalized processes; and designing adequate support mechanisms for priority groups.

The provision of unemployment insurance is included in the Political Constitution of Mexico City, which entered into force in 2018. Article 10.5b of the Political Constitution of Mexico City states:

“The authorities of the City will establish, in accordance with the applicable laws and within the scope of their competences, programmes among which is the ‘unemployment insurance’ of Mexico City, which provides beneficiaries with the necessary resources and conditions to live a decent life, while they search for a productive activity”.

According to National Survey of Occupation and Employment (ENOE) data from the National Institute of Statistics and Geography of Mexico (INEGI), in the third quarter of 2021 the number of unemployed people between 18 years and 64 years/9 months (targeted population of the programme) in Mexico City was 319,484, which represents approximately an unemployment rate of 7 per cent with respect to the economically active population.

Mexico City also faces significant levels of labour informality. Based on the results of the ENOE, 49.3 per cent of all work in the city was informal in the third quarter of 2021. Despite being below that reported at the national level (56.3 per cent), the impact of the COVID-19 pandemic on economic activity has significantly affected the population, many of whom have temporarily abandoned their formal activity.

## Description of the initiative

The unemployment protection scheme was created in 2007 and institutionalized in 2008 (with the publication of the law). It is comprised of three main forms of assistance:

- (a) A monthly economic support of 2,925.09 Mexican pesos (US\$140) for up to six months in a two-year period.<sup>1</sup>
- (b) Free training and skills development courses and workshops provided by the Job Training Institute or other training agencies and organizations.
- (c) Employment services that favour the process of reintegration to formal employment, through job banks, employment fairs and other mechanisms of linking and labour insertion.

The eligible population for the programme consists of working people over 18 and up to 64 years/9 months of age.

The unemployment benefit scheme of Mexico City targets the residents of the city who have involuntarily lost their formal employment, as well as priority attention groups. These groups include repatriated Mexican migrants; immigrants; refugees; pre-released and released people from detention centres in Mexico City; people dismissed unfairly for reasons of discrimination; resident ethnic communities; human rights advocates and journalists in a situation of internal displacement for their safety; direct and indirect victims of violent crime and victims of violence; agricultural producers and workers; and tenants and workers of public markets.

In cases in which people laboured in a formal job (with access to social security benefits), they must prove that they worked for a minimum of six accumulated months without interruption. Documents proving the termination of employment, such as legal paperwork or documents from the workplace or employer, must be presented for applicants to qualify for the benefit. Applicants who are unable to certify their entitlement to social security benefits or are in a legal proceeding with their former employer must present a summons or a signed and ratified agreement before the Labour Defense Attorney’s Office of Mexico City. Previous beneficiaries regain their eligibility

<sup>1</sup> The official wording used in the law refers to benefits for “up to six months” and can therefore not be considered a legal guarantee: it only limits the maximum duration without establishing a minimum duration.

after two years have passed since the last economic support they received.

The unemployment protection programme is provided on a solidarity basis and is very limited in time, serving primarily to support people in the early stages of unemployment.

## Impact

In the ten years since its establishment in 2007, the unemployment protection scheme has provided benefits for almost 400,000 beneficiaries. In 2018, 30,418 persons benefited from the programme, 58 per cent of them female (according to STyFE figures from January 2019). That represents almost 15 per cent of the total number of unemployed persons in Mexico City. Women are statistically over-represented in the programme, as they made up 43 per cent of the unemployed population of Mexico City.<sup>2</sup>

For the year 2020, following the outbreak of the COVID-19 pandemic, applications for unemployment protection increased significantly and government budgets were put under pressure. Although the aid of 2,641.15 pesos per month was originally planned to be granted for up to six months, these constraints made it possible to grant benefits for only two months. Fortunately, in 2021 the city of Mexico was able to increase the benefit duration to four months maximum (2,724.45 pesos per month).

By 2022, beneficiaries received 2,925.09 pesos per month. The aim is to achieve coverage close to 6.87 per cent of the total unemployed population, ensuring that up to 21,145 people (approximately 10,995 women and 10,150 men) are supported during their job search. Although this is lower than the coverage rates achieved in 2018, the efforts of Mexico City to continue to provide unemployment protection even during times of budgetary constraints is commendable.

## Challenges and way forward

The unemployment protection scheme is non-contributory and financed from public resources allocated by Mexico City to the STyFE. The initial budget for the programme was about US\$26.5 million in 2018 or 502 million pesos (STyFE 2018). For 2022, the programme has a lower budget of 200 million pesos, primarily due to budget constraints.

For budgetary reasons, the programme has not been in a position to achieve full universal coverage. In addition, the duration of the benefits is unpredictable, as it fluctuates with the available budget. It would be desirable for the unemployment protection programme to become a true unemployment insurance scheme that is financed and governed in a tripartite manner by representatives of employers, workers and the Government.

<sup>2</sup> INEGI, National Work and Employment Survey, 2018.

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