Executive summary

Mexico's economy is regionally diverse and increasingly open. The country's strategic sectors – automobile, aerospace, energy and electronics – are expected to continue their growth paths and reforms are underway to increase productivity and innovation in more traditional industries as well. Higher education is expanding, and if current patterns are maintained, 26% of youth will gain a degree at some point in their lifetime. Half a million graduates enter the labour market every year and Mexico relies on these graduates to move upward in the global value chains.

This in-depth analysis examines the governance and structure of the higher education system and the employment outcomes of higher education graduates in Mexico as well as assesses current institutional practices and public policies in view of how to improve the labour market relevance and outcomes of higher education.

Key Findings:

As in most OECD countries, a higher education degree in Mexico results in better labour market outcomes than lower levels of education: higher education graduates are more active in the labour market, have better employment outcomes and have considerably higher salaries. However, working conditions have worsened in the last decade and young workers with higher education degrees face two major and persistent problems that indicate an inefficient use of their skills: informality and over-qualification. Labour market outcomes vary largely by gender, age, fields of study, and across the 32 Mexican states.

Higher education in Mexico needs better alignment with the changing needs of the economy. Almost half of Mexican employers report a lack of skills in their sector and consider the education and training of applicants unsuited to their needs. Raising the relevance and outcomes of higher education requires a strategic vision for higher education, a whole-of-government approach and the involvement of the entire higher education system. Promising first steps in this direction have been made with the inter-ministerial National Productivity Committee and the recent national skills framework.

Mexico's higher education has thirteen subsystems, which differ considerably in their governance structures, funding arrangements, and government influence. Public policies and institutional level initiatives to help improve labour market relevance and outcomes exist, but they lack a cohesive framework and effective mechanisms to evaluate impact. Information on higher education and the labour market needs to be improved and better co-ordinated. All this makes steering the higher education system difficult.

While there is no representative data for assessing the skills of graduates in Mexico, signs suggest insufficient levels of discipline-specific and transversal skills. Raising the quality of higher education has been a longstanding policy priority, but outcomes are mixed. The quality assurance system is voluntary, complex and fragmented; it lacks transparency and

coherence, and is costly. An unknown number of programmes in private institutions operate outside the system. Criteria related to labour market relevance are not integrated into institutional quality assurance mechanisms, and are not thoroughly applied in programme quality assurance mechanisms. Currently, less than half of undergraduates are enrolled in evaluated or accredited programmes.

There is not a strong culture of internal quality assurance, with the exception of some leading institutions. Targeted funding, Mexico's main policy lever to increase quality, reaches only public institutions, which account for 70% of students but less than one third of the 3 762 institutions in the country. There is no targeted funding focused exclusively on raising the labour market relevance and outcomes of higher education, although several targeted funding programmes include this criteria. The effectiveness of targeted funding suffers from the fragmentation of programmes, overlapping and unclear objectives, and complex application procedures. It is also common that institutions use targeted funding to cover basic costs.

The current higher education system is complex, but lacks diversity by field and level of study. Over a third of students are enrolled in business administration and law, and nine out of ten study in bachelor's programmes. Employers are calling for more diversity. However, the lack of information makes it difficult for students to make informed choices. In the absence of formula-based funding with weightings for different fields and levels of study, institutions tend to deliver programmes that are likely to attract high enrolments and less costly to deliver. Changes in the economy also require interdisciplinary programmes, but these are currently very difficult to accredit.

Students need more and better support to succeed in their studies and develop the skills they need in their future jobs. While pockets of good practice exist in some subsystems, overall there is no awareness or recognition of the fundamental role of good teaching. Institutions rely heavily on lecture-based teaching. Innovative methods that are more interactive and engage the students at different levels are rare, and internationalisation efforts are also in the early stages of development.

Progress has been made to increase the share of qualification levels of full academic staff, but the proportion of casual staff is very high, and there is little practice of professional development of staff in teaching methods. The National System of Researchers (SNI) is effectively assessing the performance of academic staff of both public and private institutions in terms of research quality, knowledge and technology transfer, and contribution to education. However, the quality and impact of teaching are not encouraged, recognised or rewarded.

There is no tradition of engaging with employers and social partners to ensure that the delivery of programmes meets labour market needs; exceptions are the technological subsystems and certain leading institutions. Work-based learning exists, to varying degrees across subsystems and fields of study, in the form of internships, the social service, and dual education and postgraduate programmes with industry. The social service, intended to allow students to give back to society, has the potential to be a powerful mechanism through which every undergraduate could develop transversal skills. However, legislation is unclear, fragmented and contradictory. Furthermore, many institutions lack resources to effectively organise work-based learning and engagement with employers.

The current system has major barriers to pathways into and within higher education. Lifelong learning is poorly developed and higher education lacks the flexibility that

allows students to exit and return to higher education at a later stage in life to either complete or continue studies at an advanced level. Distance and online education can make progress in addressing these issues.

High-technology entrepreneurship could boost Mexico's economy and help address social needs. Interest among students is increasing, but there is not yet a strong entrepreneurship culture or support within higher education, with some notable exceptions.

Mexico's regional diversity offers rich potential. Maintaining a balanced geographic distribution of higher education institutions has been a policy priority and has successfully increased access. However, the absence of an effective planning mechanism has created tensions regarding the allocation of funding and the responsiveness of higher education to regional and local needs.
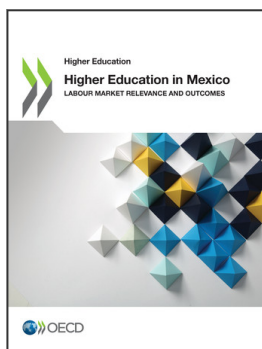
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