

Chapter 06 / Capítulo 06

Public Policy, Education, and Territory: Student Perspectives in the Humanities and Social Sciences (Spanish Version)

ISBN: 978-9915-9869-4-4

DOI: 10.62486/978-9915-9869-4-4.Ch06

Pages: 48-56

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Assessing the impact of Jóvenes Construyendo el Futuro on labor formalization: evidence at the municipal level

Evaluación del impacto de Jóvenes Construyendo el Futuro en la formalización laboral: evidencia a nivel municipal

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ABSTRACT

The Youth Building the Future (JCF) program was implemented in Mexico to address youth unemployment and informality by offering training in work environments to people aged 18 to 29. Despite its national reach, its actual effectiveness in promoting formal employment remains uncertain. This study seeks to quantify the program's impact on the formalization of youth employment, using municipal-level data that capture regional heterogeneities and local socioeconomic characteristics. The analysis focuses on key variables such as social security affiliation and permanence in formal employment, contrasting municipalities with high and low participation in the program. Preliminary results suggest differentiated patterns that could be associated with structural factors and local implementation of the program. This research provides critical evidence for optimizing youth employment policies, highlighting the need to adapt strategies to specific regional contexts.

Keywords: Youth Employment; Labor Formalization; Public Policy; Impact Evaluation; Applied Econometrics.

RESUMEN

El programa *Jóvenes Construyendo el Futuro* (JCF) se implementó en México para abordar el desempleo y la informalidad juvenil, ofreciendo capacitación en entornos laborales a personas de 18 a 29 años. A pesar de su alcance nacional, su efectividad real en la promoción del empleo formal sigue siendo incierta. Este estudio busca cuantificar el impacto del programa en la formalización laboral de los jóvenes, utilizando datos a nivel municipal que permiten capturar heterogeneidades regionales y características socioeconómicas locales. El análisis se centra en variables clave como la afiliación a la seguridad social y la permanencia en el empleo formal, contrastando municipios con alta y baja participación en el programa. Los resultados preliminares sugieren patrones diferenciados que podrían asociarse a factores estructurales y a la implementación local del programa. Esta investigación aporta evidencia crítica para optimizar políticas de empleo juvenil, destacando la necesidad de adaptar estrategias a contextos regionales específicos.

Palabras clave: Empleo Juvenil; Formalización Laboral; Políticas Públicas; Evaluación de Impacto; Econometría Aplicada.

INTRODUCTION

Owing to its magnitude, unemployment in Mexico is an economic problem that affects

highly vulnerable sectors of the population, such as women and young people. Mexico had unemployment rates of 3,5 % in 2019 and 4,4 % in 2020, a year in which the COVID-19 health crisis caused a sharp deterioration in the labor market before it fell to 4,1 % in 2021, as shown in figure 6.1.

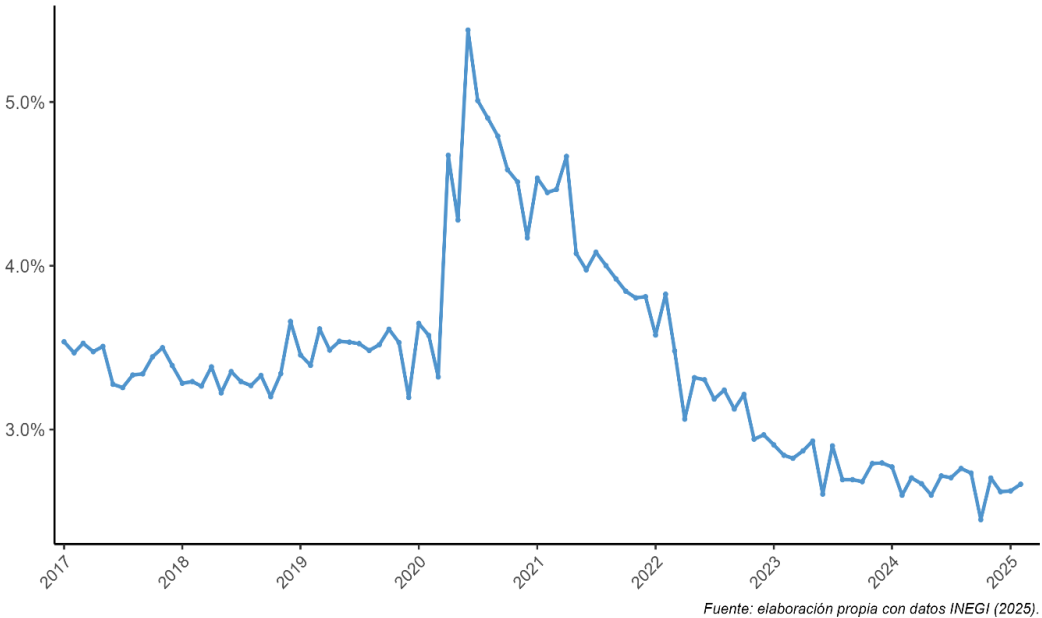


Figure 6.1. Unemployment rate in Mexico

Young people’s entry into the labor market faces structural obstacles such as the need for previous experience, the lack of recognition of skills acquired in precarious or informal occupations, and the limited correspondence between the skills offered by the population and those demanded by employers.

The consequences of youth unemployment extend beyond the individual sphere, generating significant social and economic costs: reduced income, falling production, deterioration of acquired skills, weakening of social cohesion, and increased inequality. In addition, the difficulty of accessing a first job limits socialization and inclusion processes, increasing the likelihood that young people will remain in situations of informality or prolonged inactivity.

Given this situation, the Mexican government has sought to implement active policies that facilitate the incorporation of young people into productive activities. In particular, the **Jóvenes Construyendo el Futuro (JCF)** program, launched in 2019, was designed as one of the priority strategies of the current government’s social policy, with the aim of linking young people aged 18-29 years who are neither studying nor working to public, private, or social workplaces. Through monthly financial support, training, and access to social security, the program aims to strengthen work habits, develop technical skills, and improve the chances of future integration into formal employment.

The analysis of programs such as JCF is essential in a context in which the COVID-19 pandemic has exacerbated structural problems in the labor market and highlighted the fragility

of traditional inclusion mechanisms. The health crisis not only increased unemployment but also increased precariousness, increasing the vulnerability of those who were in the process of transitioning to their first job. Therefore, assessing the extent to which JCF contributes to mitigating youth unemployment and facilitating the transition to decent work is of academic, social, and public policy relevance.

In this context, this research aims to examine the effects of the Jóvenes Construyendo el Futuro program and the pandemic on youth unemployment in Mexico via a difference-in-differences model. In this way, it seeks not only to quantify the impact of the program and the crisis but also to provide evidence on the relevance of public policies aimed at youth labor inclusion in a scenario marked by economic and social uncertainty.

Youth unemployment in Mexico

Figure 6.2 shows youth unemployment rates from 2017-2025 according to the National Occupation and Employment Survey (ENOE). At the beginning of the period, youth unemployment remained at approximately 700 000-800 000 people. In 2021, there was a sharp increase in the number of unemployed young people, which was associated with the impact of the COVID-19 pandemic. Finally, by 2025, the figure fell to approximately 600 000 people, reflecting a partial recovery in the youth labor market.

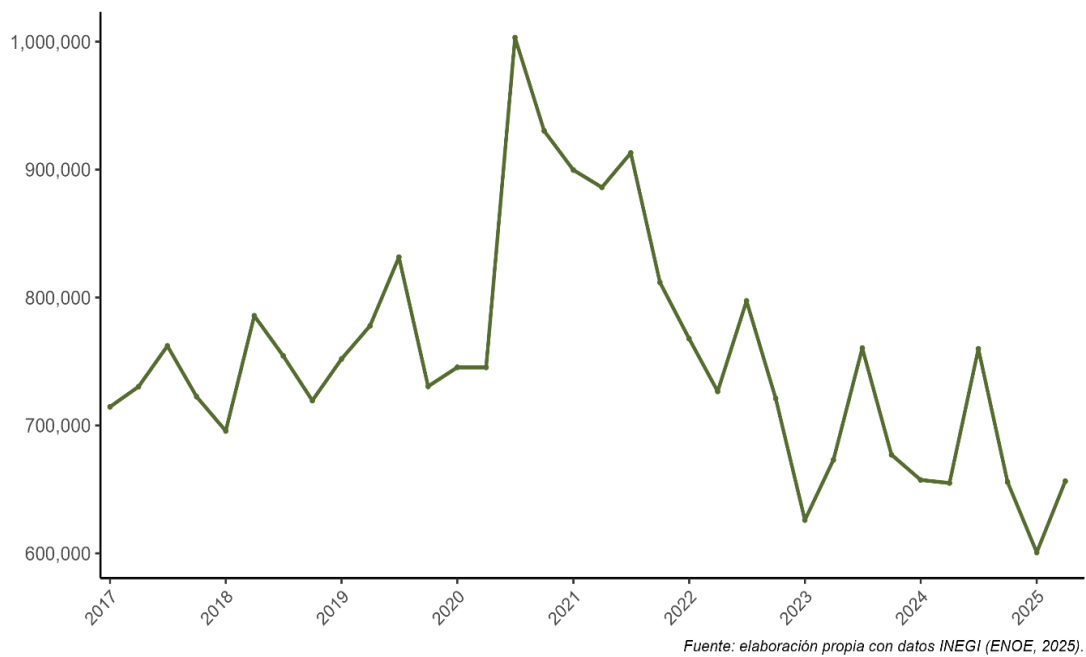


Figure 6.2. Youth unemployment, ages 20-29

As shown in figure 6.3, between 2017 and 2025, Mexico’s economically active population (EAP) remained stable at approximately 58-59 %, but in 2020, it fell sharply to approximately 53% due to the impact of the COVID-19 pandemic. This phenomenon is related to what is observed in figure 6.2, where youth unemployment peaked in 2021, exceeding one million people. This reflects the fact that, in a context of crisis, young people are among the most vulnerable groups in the labor market: with less experience and precarious conditions, they face greater difficulties in keeping their jobs or accessing new opportunities, reproducing a dynamic that is

also observed in other economies around the world.

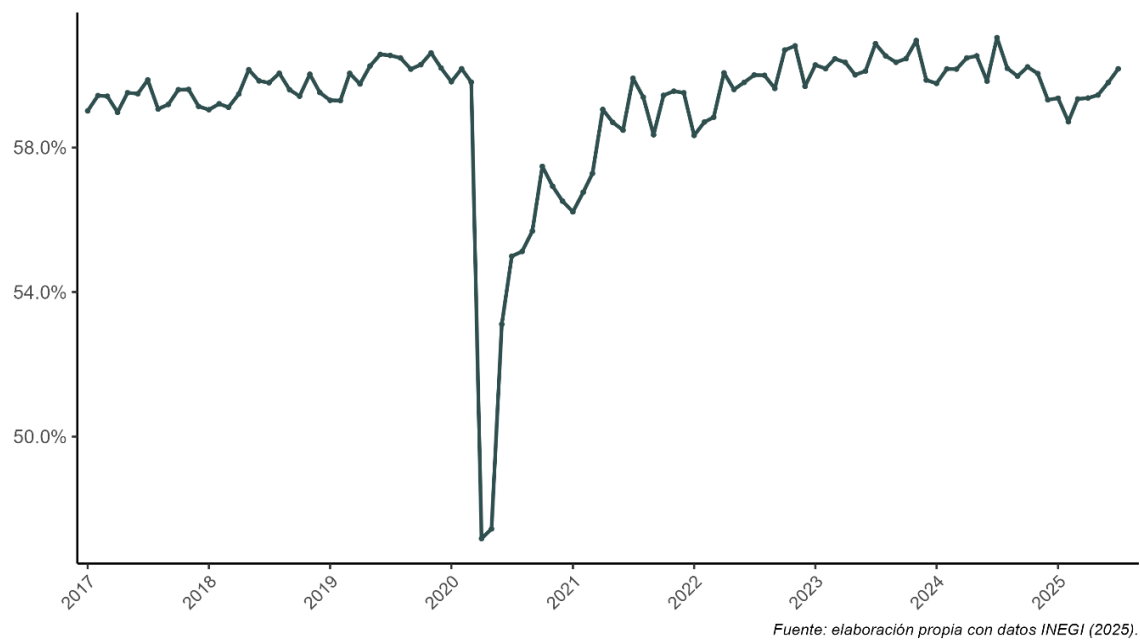


Figure 6.3. Economically Active Population (EAP)

General Objective

To analyze the impact of youth unemployment in Mexico, with a special emphasis on the population aged 18--29 years, to identify the structural and circumstantial factors that have conditioned their entry into the labor market during the recent period, both the effects of the COVID-19 pandemic and the role of public support programs, such as Jóvenes Construyendo el Futuro (Youth Building the Future), are considered to generate evidence that will allow for an evaluation of the relevance of current policies and propose elements to strengthen youth labor inclusion in the country.

METHOD

This study uses a quasiexperimental approach to evaluate the impact of the *Jóvenes Construyendo el Futuro* (JCF) program on labor formalization, measured by the number of workers insured by the Mexican Social Security Institute (IMSS). Because the program was not implemented randomly in the municipalities, the difference-in-differences (DID) technique, widely used in the public policy evaluation literature, is employed, which allows for the identification of causal effects under the certain assumption. The unit of observation is the municipality-year in the period 2017-2024. A panel was constructed with the municipalities prioritized by the Ministry of Labor and Social Welfare (STPS) as areas of high program intervention (treatment group) and a set of municipalities similar in sociodemographic and marginalization characteristics (control group).

- The treatment group included nine municipalities that were originally prioritized: Veracruz (Jalapa and Veracruz), Chilpancingo and Acapulco (Guerrero), Tijuana (Baja California), San Cristóbal de las Casas and Frontera Comalapa (Chiapas), Chimalhuacán (State of Mexico), and León and Celaya (Guanajuato).

- Control group: municipalities in the same state with comparable levels of marginalization and demographic characteristics but with lower-intensity participation in the program, such as Lerdo de Tejada, Martínez de la Torre, and Poza Rica (Veracruz); Iguala, Zihuatanejo, and Ometepepec (Guerrero); Tecate, Ensenada, and Mexicali (Baja California); Comitán, Las Margaritas, and La Trinitaria (Chiapas); Ixtapaluca, Valle de Chalco, and Los Reyes La Paz (State of Mexico); and Irapuato, Salamanca, and San Francisco del Rincón (Guanajuato).

Two main data sources were used:

1. IMSS - Affiliated jobs: annual municipal information on the number of insured workers (2017-2024), available on the IMSS open data portal.
2. STPS - Priority programs: identification of municipalities with high targeting of the Jóvenes Construyendo el Futuro program.

In addition, information from CONAPO on marginalization and sociodemographic characteristics was considered for the selection of control municipalities.

The variables used are classified as follows:

- Dependent variable: number of workers insured by the IMSS in each municipality and year.
- This value was transformed into a natural logarithm to reduce the influence of municipality size and facilitate interpretation in percentage terms.
- Key explanatory variables:
 - treated: binary indicator (=1 if the municipality was prioritized by JCF, 0 if it belongs to the control group).
 - post: time indicator (=1 for the years after the program's implementation, 2019-2024; =0 for the previous years, 2017-2018).
 - did: interaction between treated and post, which captures the average effect of the program.
 - Controls: Fixed effects for municipality and year are included.
 - Controls: Fixed effects for municipality and year are included.
 - Municipality fixed effects absorb structural differences that are invariant over time (e.g., population size, geographic location, productive base).
 - Fixed year effects capture shocks common to all municipalities (e.g., the national economic cycle and the COVID-19 pandemic).

The difference-in-differences model is specified as follows:

$$Y_{m,t} = \alpha_m + \tau_t + \beta (Tratado_m \times Post_t) + \varepsilon_{m,t}$$

$Y_{m,t}$: logarithm of the number of insured persons in municipality \$m\$ in year \$t\$

α_m : fixed effect of municipality \$m\$ (characteristics that do not change over time)

τ_t : fixed effect of year \$t\$ (shocks common to all municipalities)

$Tratado_m$: indicator variable (=1 if municipality \$m\$ was prioritized by JCF, 0 otherwise)

$Post_t$: indicator variable (=1 if year \$t \geq 2019\$, 0 if 2017-2018)

β : interest coefficient, measures the average effect of the JCF program

$\varepsilon_{m,t}$: random error term

The key assumption of the DID strategy is that of parallel trends, which establishes that, in the absence of the program, the treated municipalities and the controls would have followed similar trajectories in the evolution of IMSS insured persons. To validate this assumption, descriptive trend graphs were produced.

RESULTS

HDFE Linear regression	Number of obs	=	175
Absorbing 2 HDFE groups	F(1, 21)	=	0.03
Statistics robust to heteroskedasticity	Prob > F	=	0.8687
	R-squared	=	0.9975
	Adj R-squared	=	0.9970
	Within R-sq.	=	0.0004
Number of clusters (municipio) =	22	Root MSE	= 0.0603
(Std. err. adjusted for 22 clusters in municipio)			

ln_asegura~s	Coefficient	Robust std. err.	t	P> t	[95% conf. interval]	
did	-.0049942	.0298347	-0.17	0.869	-.0670388	.0570505
_cons	11.55475	.0081832	1412.00	0.000	11.53773	11.57177

Absorbed degrees of freedom:

Absorbed FE	Categories	- Redundant	= Num. Coefs	
municipio	22	22	0	*
anio	8	1	7	

Figure 6.4. Results of the difference-in-differences model estimation on the logarithm of workers insured by the IMSS (2017-2024)

The difference-in-differences model with fixed municipality and year effects did not show a statistically significant effect of the *Jóvenes Construyendo el Futuro* program on the number of jobs affiliated with the IMSS. The coefficient of the treated×post interaction was close to zero ($\beta \approx -0,005$; $p \approx 0,87$; 95 % CI: -0,067, 0,058), suggesting that, for the sample analyzed and in the 2019-2024 horizon, no differential change in labor formalization is identified between prioritized municipalities and their controls.

Interpretation

The estimated magnitude ($\approx -0,5$ % in logarithms) is small and not significantly different from zero. Given the wide confidence interval, the available data allow for modestly negative to positive effects; therefore, with this sample, it is not possible to attribute a clear impact of the program on IMSS enrollment.

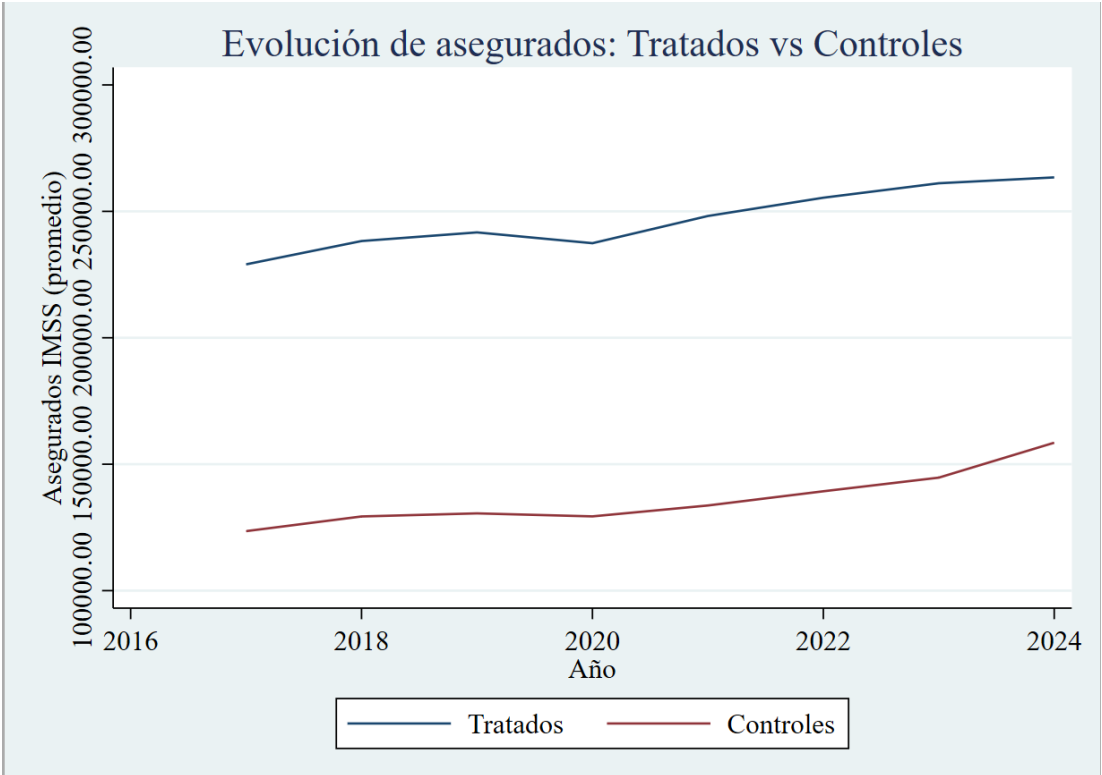


Figure 6.5. Trend in insured workers in treated and control municipalities (2017-2024)

Auxiliary verification

The descriptive trends (2017-2024 averages for treated vs. controls) do not show marked differential breaks from 2019 onward. This reading is consistent with the main estimator. As suggested by additional evidence, a year-by-year event study confirms that the coefficients prior to 2019 do not deviate significantly from zero and that those after 2019 do not show a robust pattern of persistent gain or loss.

CONCLUSIONS

The model results show that, in the municipalities studied, the *Jóvenes Construyendo el Futuro* social program did not have a statistically significant effect on formal employment. This means that although the program meets certain goals, such as providing training or serving as temporary financial support, its impact is not necessarily reflected in greater incorporation of young people into the formal labor market.

This result forces us to consider the program’s limitations. It is true that it offers a training opportunity, but that experience does not seem to be sufficient for young people between the ages of 20 and 29 to access formal employment in a clear or sustained manner. In many cases, the knowledge acquired does not translate into a decisive advantage for hiring.

It is therefore essential to follow up with beneficiaries and strengthen the program’s design in line with its actual impacts. The idea should be that, after two years of training, young people are more likely to find stable formal employment. Only then will the skills learned

translate into concrete improvements in the quality of life of those who participate, which, in theory, is the central purpose of the program.

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FUNDING

None.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

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