

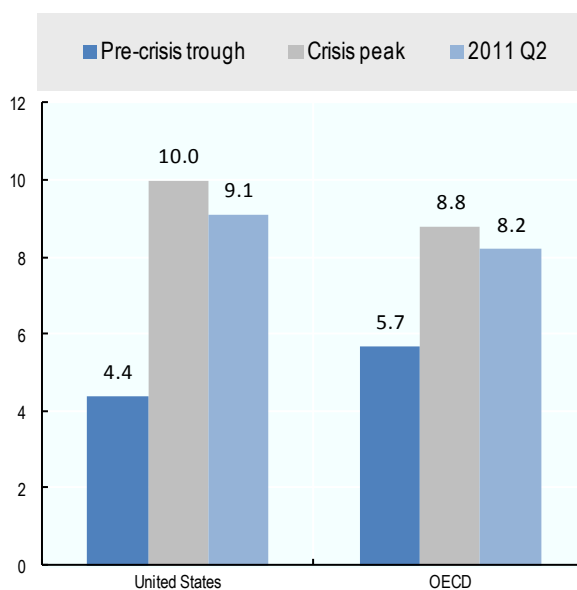


## Employment Outlook 2011 – How does the UNITED STATES compare?

**The US unemployment rate is still more than double its pre-crisis level and there is an increasing risk that the labour market recovery has stalled or could even go into reverse.** The US unemployment rate shot up from its pre-crisis level of 4.4% to reach a peak of 10% in the fourth quarter of 2009 (see Figure). While unemployment has since eased to 9.1%, it is still more than double its pre-crisis level and the labour market recovery appears to have stalled. The trajectory of the OECD average unemployment rate has been similar to that of the US rate, except that the initial rise in OECD unemployment was less dramatic.

### Unemployment rate during the recent downturn, the United States and OECD average

OECD harmonised unemployment rates as a percentage of labour force<sup>a</sup>



a. Seasonally-adjusted data. Peaks and troughs are determined using real GDP series in levels.

Source: OECD Main Economic Indicators Database.

Although many details remain to be spelled out, **the American Jobs Act recently proposed by the Obama administration clearly recognises the need for further action to tackle the danger that high unemployment could become entrenched.** The tax credit for businesses tied to increases in their total payroll over its level one year earlier is among the most promising measures included in this package. The OECD judges marginal employment subsidies, such as this, to be a particularly cost-effective way to support job creation in the private sector. The plan also proposes to extend the temporary increase in how many weeks workers can receive unemployment insurance benefits through 2012, while requiring state One-Stop-Career-Centers to take steps to ensure that benefit recipients search effectively for new jobs. This appears to mirror the OECD call for a strengthening of the social safety net for the long-term unemployed together with strong activation measures to prevent welfare dependency.

According to the OECD, **the very sharp increase in long-term unemployment is of particular concern.** Whereas the US labour market has long been characterised by a low risk of long-duration unemployment, this is no longer the case. The share of US unemployed who have been out of work for more than 6 months has risen sharply from 17% at the onset of the financial crisis to 43% in August 2011. The corresponding increase for the OECD average, albeit from higher levels, was much less dramatic, namely, from 43% to 48%. Apart from the immediate hardship associated with being out of work, long spells of unemployment can reduce employment prospects permanently because workers' skills may deteriorate over time and employers often prefer to hire candidates with recent work experience. The experience of European countries in earlier decades also shows that a build-up of long-term unemployment during a recession can play an important role in transforming a cyclical increase in unemployment into a permanent rise in structural unemployment. The OECD report argues that US policy makers need to place a high priority on reversing the recent rise in long-term unemployment before it becomes entrenched.

**Government action to reinforce unemployment insurance benefits has played an important role in dampening the impact of higher unemployment on living standards.** New analysis in the 2011 *Employment Outlook* shows that the income social safety-net for US workers was more limited than that available to workers in most OECD countries prior to the recent crisis. As a result, family incomes were hit harder when workers experienced a large fall in earnings in the United States. The crisis-related measures taken to reinforce the unemployment insurance (UI) benefits, notably by increasing the maximum duration of UI benefit receipt from 26 weeks to up to 99 weeks, greatly cushioned the impact of long-term unemployment on affected families and probably also made the downturn shallower by helping to support consumer spending. While the OECD report highlights this success, it also argues that further progress is needed to strengthen the enforcement of eligibility conditions for UI recipients and promote a more effective activation of the unemployed back to work. It also argues that UI benefits should be scaled back once labour market conditions have significantly improved.

*OECD Employment Outlook 2011* is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on the United States, journalists are invited to contact Mark Keese (tel: +33 1 45 24 87 94 or e-mail: [mark.keese@oecd.org](mailto:mark.keese@oecd.org)) or Paul Swaim (tel: +33 1 45 24 19 77 e-mail: [paul.swaim@oecd.org](mailto:paul.swaim@oecd.org)) from the OECD Employment Analysis and Policy Division. For further information: [www.oecd.org/els/employment/outlook](http://www.oecd.org/els/employment/outlook).