

UNITED KINGDOM

Relative employment rates remain slightly below the average of the upper half of OECD countries and have slipped somewhat during the last few years. Labour productivity has converged to some extent but is still below average, leaving a significant gap in GDP per capita. Government spending on R&D has increased recently, but more needs to be done in the following areas to improve living standards further.

Priorities supported by indicators

Improve the educational achievement of young people

Educational outcomes, measured by international student test (PISA) scores show that student performance is uneven, with sizeable shares of the student population performing badly. Secondary school completion rates are low and youth unemployment is high.

Actions taken: The previous government introduced a number of schemes to improve standards of literacy and numeracy. The current government is introducing a pupil premium for disadvantaged students. It also plans to raise the secondary school leaving age to 18 years by 2015.

Recommendations: Continue the focus on core literacy and numeracy skills. Increase further the resources for disadvantaged students and improve targeting mechanisms. Encourage participation in secondary education by reintroducing the Education Maintenance Allowance. Ensure that vocational programmes provide skills that are relevant for the labour market

Improve public infrastructure, especially in transport

Low investment in public infrastructure has contributed to congestion, especially in road transport and airports, hampering productivity.

Actions taken: Investment in infrastructure has been increased substantially in recent years, partly as a consequence of bringing forward investment during the recession. However, investment remains low compared with other OECD countries and current plans envisage a sharp fall in spending after 2010.

Recommendations: Free up more resources in other spending areas within current spending plans to mitigate cuts in infrastructure investment. Implement a national road pricing scheme to mitigate road congestion.

Further reform disability benefit schemes

The share of the working age population that receives disability benefits remains high compared to the OECD average, although it has fallen slightly recently.

Actions taken: The Pathways to Work scheme now applies to all new and most existing claimants under 50. A new eligibility test has been introduced.

Recommendations: Extend the Pathways to Work scheme to all existing claimants. Monitor health status of applicants earlier than the mandatory 13 weeks.

Other key priorities

Strengthen public sector efficiency

Productivity in the public sector has fallen over the last decade, revealing a need for efficiency improvements.

Actions taken: The previous government introduced a number of reforms of the National Health Service (NHS) to improve efficiency, but their effectiveness remains unclear. The current government has decided to start pilot schemes to decentralise responsibilities for purchasing hospital care to General Practitioners (GPs).

Recommendations: Lift public sector productivity by raising efficiency in health care and education. Compensation of some categories of NHS personnel is high by international standards and should be contained. Reinforce competition among health care providers to mitigate price pressures. Improve consistency in the allocation of health care responsibility across government bodies.

Reform planning regulations

Supply of land for housing and commercial development remains low, decreasing affordability and contributing to price volatility and low productivity.

Actions taken: No action taken.

Recommendations: Make the planning system more flexible and predictable and provide incentives for local communities to release land for building, while continuing to protect the environment.

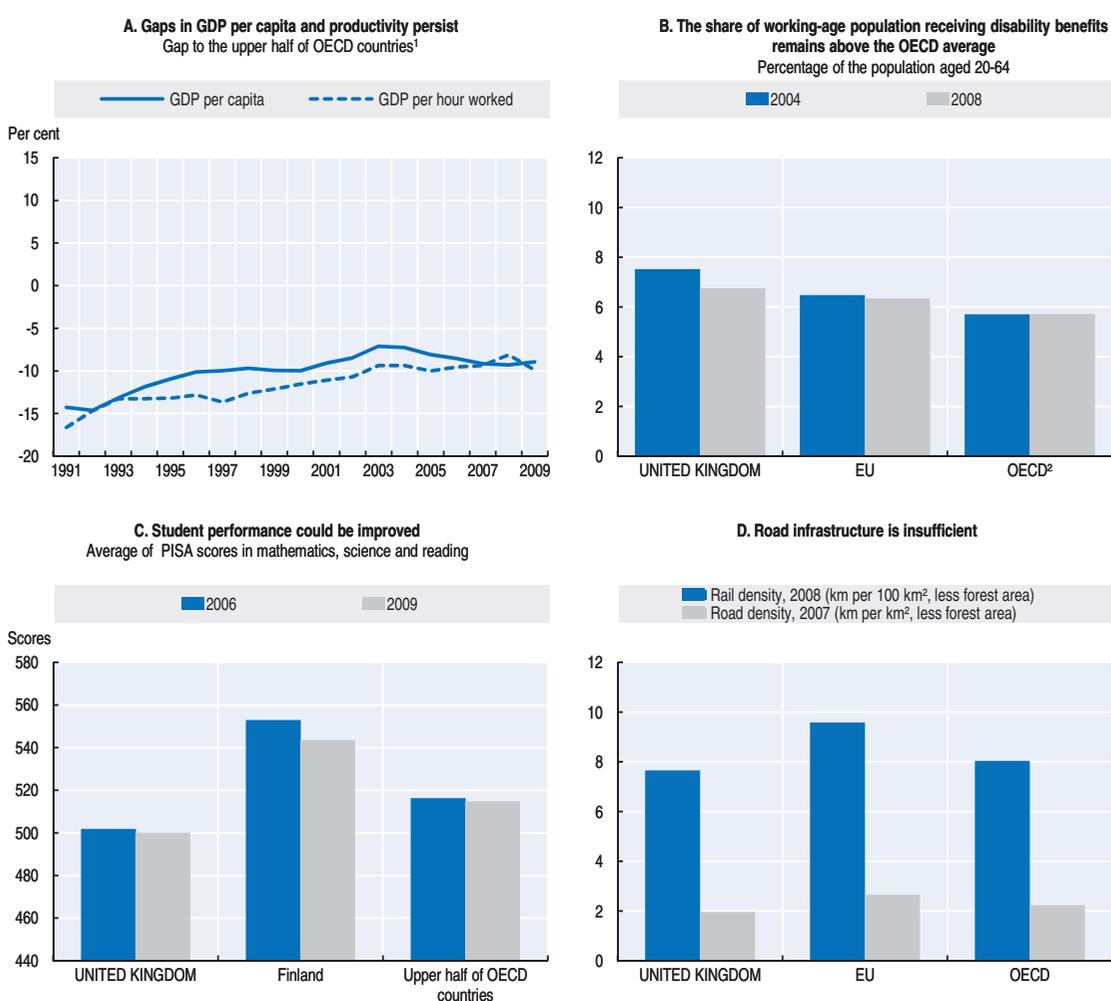
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Structural indicators

Average annual trend growth rates, per cent

	1999-2009	1999-2004	2004-09
GDP per capita	1.8	2.3	1.3
Labour utilisation	0.1	0.2	0.1
of which: Employment rate	0.5	0.6	0.4
Average hours	-0.4	-0.4	-0.3
Labour productivity	1.7	2.2	1.3
of which: Capital intensity	1.0	1.2	0.8
Multifactor productivity	0.7	1.0	0.5

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



- Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
- Excluding Chile.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*; Chart C: OECD, PISA 2009 Database; Chart D: World Bank, *World Development Indicators*.

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