How does the UNITED KINGDOM compare?
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OECD Employment Outlook 2014

The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: www.oecd.org/employment/outlook

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The UK labour market has nearly recovered from recession, but productivity performance remains poor

In the recession, the UK unemployment rate increased by 3 percentage points, but since 2012 – in common with the United States but in contrast with the Euro area – it has fallen back to near pre-crisis levels. The employment rate is now higher than the pre-recession level at around 73%, although this is exceeded by Germany among the G7 countries. However, with GDP having recovered its 2008 level only in 2014, the counterpart to this good employment performance is that productivity performance has been particularly poor.

In the crisis, UK workers suffered significant cuts in earnings

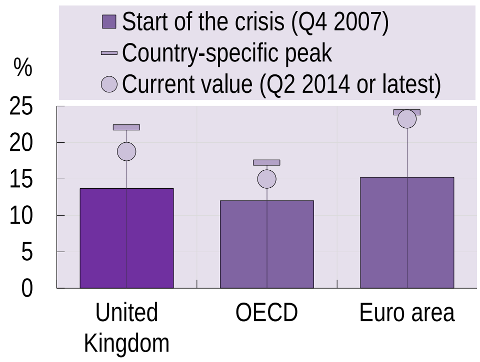
In the United Kingdom, nearly two-thirds of workers experienced falls in real earnings in 2010. This was more than the average of one worker in two across 19 OECD countries studied in the *Employment Outlook* 2014. These falls were often the result of reduced hours of overtime or bonuses, but sometimes wage rates were also cut. As a result of real wage adjustments across all segments of the workforce, overall earnings inequality has remained largely unchanged during the crisis in the United Kingdom. Whereas in most countries downwards adjustments slowed after 2011, average hourly real wage rates continued to fall through to 2013 in the United Kingdom, matched or exceeded only by several Eurozone countries hit hardest by the crisis like Greece, Spain and Ireland.

Long-term and youth unemployment rates remain high

During the recovery, labour market outcomes have improved for the short-term unemployed and older workers. Over 35% of unemployed people are still long-term unemployed, but this incidence is likely to decline thanks to falling unemployment inflows and improving performance by the Work Programme (the service to assist long-term unemployed looking for work). As in other OECD countries, young people are more likely to experience unemployment than prime-age adults. The youth (15-24) unemployment rate has shown some recent improvement, but is still about 5 percentage points above the pre-crisis rate. As highlighted in the *Employment Outlook* 2014, work experience is an important influence on early labour market outcomes, and combining work and study is common in English-speaking countries as well as some countries with a long tradition of apprenticeships.

Youth unemployment rate

Percentage of young labour force (aged 15-24)

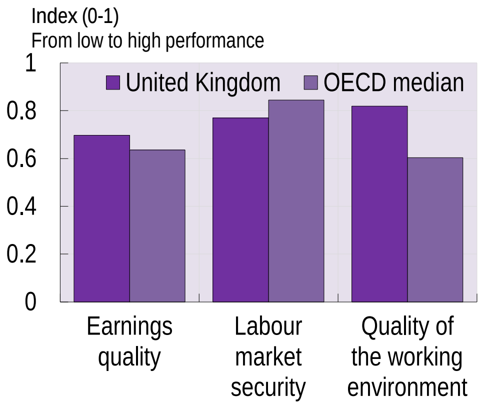


Source: OECD Short-Term Labour Market Statistics (database), (http://dx.doi.org/10.1787/data-00046-en).

The UK scores well on some indicators of jobs quality but less well on others

The objective for the UK and all other countries is not just to create *more* jobs, but also to create *better* jobs. The 2014 *OECD Employment Outlook* paints a broad picture of job quality across OECD countries. This is based on three dimensions that are considered as essential aspects of good-quality jobs: earnings quality; labour market security; and quality of the working environment.

Composite indicators of job quality, 2010



Source: OECD Employment Outlook, 2014.

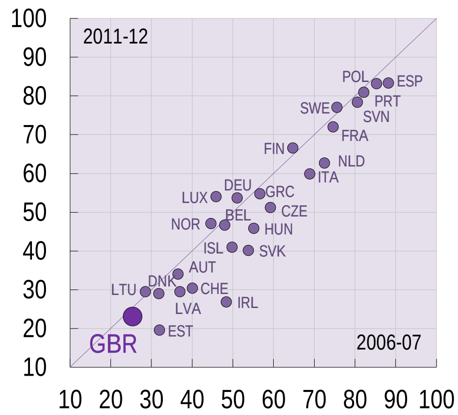
Compared to other OECD countries, the United Kingdom performs above average overall, but has areas of both strength and weakness. The United Kingdom does particularly well in terms of the quality of working environment. Although the pressures of work are high in the United Kingdom, so are the resources provided to support workers, so the index for quality of the working environment is amongst the best performing in the OECD. Earnings quality is scored only slightly above the OECD median due to the offsetting impacts of relatively high average earnings (a plus) and wide earnings dispersion (a minus). These international comparisons are least favourable for labour market security due to the relatively high risk that UK workers face of becoming unemployed.

In the United Kingdom, fixed-term and permanent contracts provide nearly the same protection against termination

Many countries make a distinction between temporary and permanent contracts. The dismissal of workers with a permanent contract is often costly, whereas there are few costs or restrictions on dismissal at the end of a fixed-term contract. However the United Kingdom has a *unified* contract: all workers are covered by unfair dismissal rules when they have job tenure of at least two years, and have the same entitlement to redundancy pay. This may explain why United Kingdom is the only EU country where fixed-term contracts account for less than 25% of all new hires. However, many OECD countries could find it difficult to implement the principle of a unified contract, since the few countries that implement it even partially have a generally low degree of employment protection, with limited judicial review of contract terminations.

Fixed-term contracts among new hires, 2006-07 and 2011-12

Percentage of employees with no more than three months of tenure



Source: OECD calculations based on EU-LFS microdata.

OECD Employment Outlook 2014 is available to journalists on the **password-protected** website or on request from the Media Relations Division. For further comment on the United Kingdom, journalists are invited to contact Mark Keese (+33 1 45 24 87 94; mark.keese@oecd.org) or David Grubb (+33 1 45 24 91 76; david.grubb@oecd.org) from the OECD Employment Analysis and Policy Division.