

## OECD Employment Outlook 2004

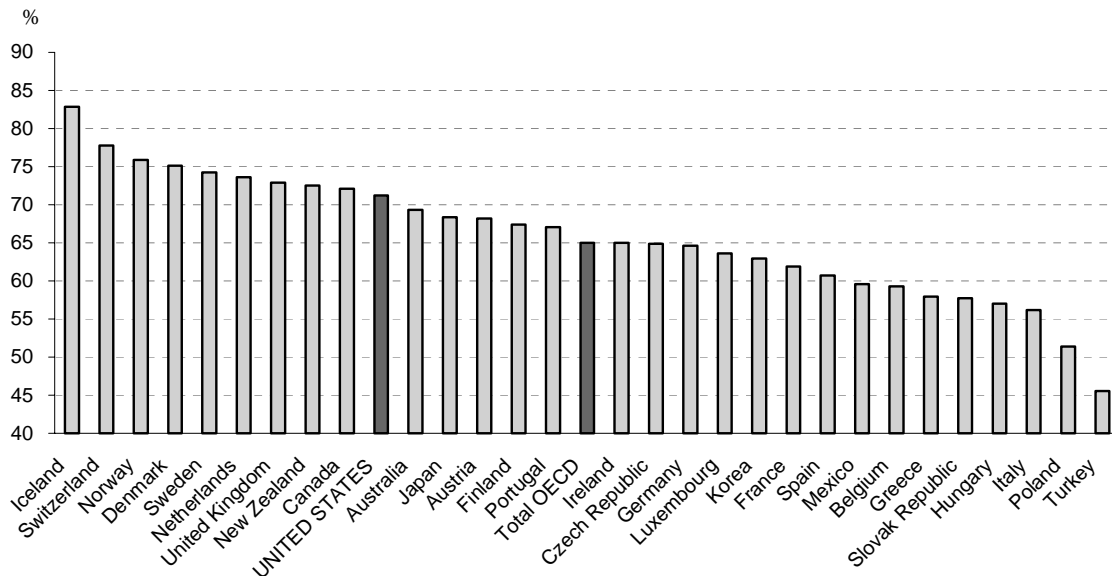
### How does the United States compare?

The recent recession and the hesitancy of economic recovery have hit employment levels more strongly in the United States than in many other OECD countries, including European countries where employment has held up well. However, the US is now leading the world economic recovery and steady employment growth appears to have resumed.

The OECD's latest review of labour market trends and issues, *OECD Employment Outlook 2004*, shows that the US unemployment rate, at 6% in 2003, remained somewhat below the average of 7% for the OECD area. However, this was substantially above the low levels reached several years ago. Job growth resumed last year in the United States, but has not been vigorous enough thus far to lower unemployment appreciably, despite being a little stronger than for the OECD area as a whole. Increasing the employment rate – and not simply lowering the unemployment rate – will become an increasingly important policy goal as the number of persons in retirement increases relative to the population of working age. In the United States, 71% of people of working age have a job, which is 6 percentage points higher than the average for the OECD as a whole, but below the levels obtained by the best performing countries, including Switzerland and several Nordic countries (chart).

#### Proportion of people of working age who are employed, 2003

Employment as a percent of population aged 15-64



Source: OECD Employment Outlook 2004.

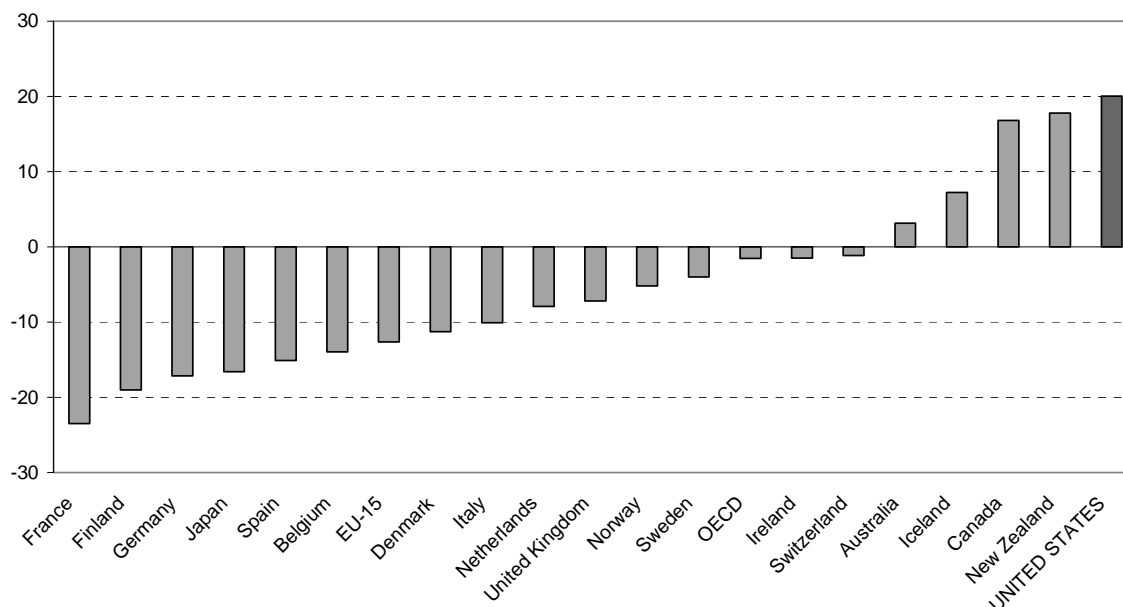
### Working hours trends differ markedly between the United States and Europe

The performance of US labour markets also looks quite strong when assessed in terms of hours worked per capita, a more comprehensive measure of “labour utilisation” than the employment rate. Per capita hours fell during 1970-2002 for most OECD countries and by over 20% in France; but they rose in several countries, and by fully 20% in the United States (chart). By the end of this period, annual hours per capita

were considerably higher in the United States (866), than in the EU-15 area (average of 691 for the 15 countries that were members of the European Union in 2002). However, labour utilisation was moderately higher in several OECD countries, including Australia (871) and Japan (922), than in the United States, and much higher in Korea (1120).

### Trends in hours worked per capita have diverged since 1970

Percentage change 1970-2002



Source: OECD Employment Outlook, 2004.

Two factors underlie the divergence between the United States and Europe since 1970 in hours worked per capita. First, hours worked per capita are influenced by the share of the population actually working, and the employment rate has increased more strongly in the United States than in most other OECD countries. Increased participation of women in paid employment has tended to push up employment everywhere. However, the potential impact on the total employment rate has been off-set to a much greater degree outside of the United States by retirement at younger ages, sharper reductions in employment among teens and young adults, and a tendency for unemployment rates to drift upwards.

Secondly, the length of the average work year has not declined as much since 1970 in the United States as it has in most European countries, including France and Germany. In fact, annual hours per employed person have remained more or less unchanged for US workers since 1980. By contrast, reductions in the length of the standard work week have continued in most other high-income countries, as have increases in annual days off for public holidays and vacation. In a number of European countries, the standard full-time work week is now shorter than 40 hours, as is illustrated by the 35-hour week recently introduced in France. The typical worker in Western Europe is also entitled to six or more weeks of holiday and vacation days annually.

Longer working hours can be a plus if they reflect greater opportunities to participate in paid employment or contribute to higher living standards by increasing family incomes. However, families may also face a “time squeeze,” especially when young children or other persons requiring personal care are present in the home. OECD analysis shows that long working hours are associated with greater perceived conflict between job and family responsibilities, as are working hours that are unpredictable and work schedules that require being on the job outside of normal working hours (e.g. nights or weekends). Policies to

encourage higher employment or working-time flexibility should be complemented by measures to help families to reconcile work and family life.

***Job protection is lower in the United States, while the incidence of undeclared work appears to be about average***

The report's analysis of employment protection legislation (EPL) rates the US as being the least strict of all of the countries considered. Once again, the United States stands out for leaving an unusually large scope to market forces in setting employment conditions. The analysis suggests that relatively low levels of job protection may make it easier for women, youths and less skilled job seekers to find employers willing to hire them, but that an overall reduction in the level of job security may also result. Stricter EPL is only one of a number of policies that can be used to enhance employment and income security for workers. Other examples include unemployment insurance benefits, placement services and retraining for job losers. Policies encouraging employers to train their incumbent workers as job requirements evolve can also play a role. The report presents new evidence that employer-provided training helps workers to stay afloat in today's rapidly changing labour markets.

It is not currently possible to measure the prevalence of undeclared work with any precision. Nonetheless, a variety of indirect estimates suggest that "off-the-books" employment is substantial in the United States. International comparisons suggest that undeclared work is more common in the United States than in low-incidence countries such as Austria and Sweden, but substantially less wide-spread than in high-incidence countries in southern Europe or the transition economies of Central and Eastern Europe. The United States is typical of high-income countries in that there is a very close connection between undocumented immigration and undeclared work. Indeed, the OECD's analysis suggests that clamping down on undeclared work may be as important as tightening border controls for discouraging clandestine immigration. The taxation of distributed business profits helps to limit undeclared work since only declared salaries can be deducted when calculating the level of taxable profits. This suggests that reductions in the taxes levied on dividends and other forms of profit will tend to increase undeclared employment unless they are coupled with more vigorous enforcement measures, such as increased inspections of firms for undeclared workers.

***OECD Employment Outlook 2004*** is available to journalists on the **password protected** web site or on request from the **Media Relations Division**. For further comment on the United States, journalists are invited to contact Paul Swaim (tel: +33 1 45 24 19 77 or e-mail: [paul.swaim@oecd.org](mailto:paul.swaim@oecd.org)) or Pascal Marianna (tel: +33 1 45 24 92 23 or e-mail: [pascal.marianna@oecd.org](mailto:pascal.marianna@oecd.org)) in the OECD's Employment Analysis and Policy Division.