

UNITED KINGDOM

Convergence of GDP per capita has resumed and employment rates are high, but the productivity gap vis-à-vis the best performing countries is wide.

Priorities supported by indicators

Further reform disability benefit schemes

The number of disability-related benefit recipients has grown faster than in most other OECD countries, particularly among prime-age men.

Actions taken: The coverage of the mandatory interview-based process to access back-to-work programmes and benefits (Pathways to Work) was extended to a third of new claimants in 2006. The scheme will be offered to all existing claimants on a voluntary basis by 2008. A welfare reform proposal is being considered that aims to replace the incapacity benefit by a disability employment allowance, improve medical assessments and further strengthen incentives to participate in the Pathways to Work programme.

Recommendations: Continue to extend the Pathways to Work scheme to cover all new claimants as planned and make sure that the implementation is effective. Extend the scheme on a mandatory basis to the stock of existing claimants if the pilots are successful. Improve the monitoring of the health status of people reaching the end of sickness pay and benefits, and bring forward the medical assessment of disability claims.

Improve the education achievement of young people

A large share of students leaves school before completion of upper-secondary education and thus without a specific competence in a professional field, while a large share of the adult workforce has a low level of skills.

Actions taken: An updating of vocational diplomas and a pilot scheme to help young people back into education have been introduced. Training programmes for adults with low skills are being created.

Recommendations: Continue to emphasise the acquisition of core literacy and numeracy skills for pupils at all age-levels, so as to improve prospects for further education achievement beyond lower secondary school. Work with universities to establish clearly how the skills and competencies acquired via the new vocational diplomas compare with those obtained from following a more traditional academic path.

Improve public infrastructure, especially for transport

Under-investment in public infrastructure has resulted in road congestion and an unreliable rail system, which add to business costs and constrain productivity.

Actions taken: An increase of transport spending above that allocated in the Ten Year Plan has been announced. A special government-appointed group (Eddington Study) has assessed long-term business infrastructure and transport needs and argued in favour of extending road pricing.

Recommendations: Maintain investment in infrastructure at least at levels envisaged in current spending plans. Continue with preparations for a national road pricing scheme.

Other key priorities

- Lower marginal effective tax rates for lone parents in low-paid, part-time jobs so as to raise their incentives to work longer hours or to up-skill. Also, reduce child care costs to encourage labour force participation of low-skilled second earners.
- Improve the efficiency of health and other publicly-funded services by strengthening incentives to achieve performance targets. Ensure that higher expenditure results in higher standards of service delivery.