How does the UNITED KINGDOM compare?

Employment Outlook 2017

The 2017 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects. It also contains chapters on: benchmarking labour market performance based on the new OECD Jobs Strategy scoreboard; labour market resilience in the wake of the global crisis; the role of technological change and globalisation in transforming labour markets; and key country differences in collective bargaining arrangements.

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Labour market developments in the United Kingdom

A. Employment rate

<table>
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<tr>
<th>Period</th>
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<th>OECD</th>
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<tr>
<td>Q4 2018</td>
<td>70.0</td>
<td>63.3</td>
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B. Unemployment rate

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Note: OECD weighted average.
Source: OECD calculations based on OECD Economic Outlook Database (No. 101), June 2017.

INTERNATIONAL LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions continue to improve and the OECD average employment rate finally returned to its pre-crisis rate in the first quarter of 2017, nearly ten years after the global financial crisis erupted. The OECD-average unemployment rate continues its slow descent, but remains slightly above its pre-crisis level because employment has not increased enough to fully offset a rising trend in participation rates. The unemployment rate is projected to fall back to its pre-crisis level in late 2018 or early 2019. The recovery remains very uneven across countries and different groups within the workforce.

THE UNITED KINGDOM LABOUR MARKET

- The UK headline labour market indicators compare well with OECD averages. At the end of 2016, the UK unemployment rate stood at 4.8% against the OECD average of 6.2%, and the UK employment rate at 65.5% was more than 4 percentage points above the OECD average.
- Moreover, employment rates are higher and unemployment rates lower in 2016 than in the pre-crisis period.
- The projections for 2017-18 anticipate that UK growth will ease as rising inflation weighs on real incomes and consumption, and business investment weakens amidst uncertainty about the United Kingdom’s future trading relations with its partners. A slight deterioration of labour market conditions is expected to bring its unemployment rate closer to the OECD average of 5.7% by the end of 2018.
Scoreboard of labour market performance for the United Kingdom

Note: An upward \( \uparrow \) (downward \( \downarrow \)) pointing arrow for an indicator means that higher (lower) values reflect better performance.

**Earnings quality**: Gross hourly earnings in USD adjusted for inequality. **Labour market insecurity**: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. **Job strain**: Percentage of workers in jobs characterised by a combination of high job demands and few job resources to meet those demands. **Low income rate**: Share of working-age persons living with less than 50% of median equivalised household disposable income. **Gender labour income gap**: Difference between average per capita annual earnings of men and women divided by average per capita earnings of men. **Employment gap for disadvantaged groups**: Average difference in the employment rate for prime-age men and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities) as a percentage of the employment rate for prime-age men.

Source and definitions: OECD calculations using data for 2015 or latest year available from multiple sources. See OECD Employment Outlook 2017, Table 1.2, for further details

**STRENGTHS AND WEAKNESSES OF THE UK LABOUR MARKET**

**On the scoreboard**

- The UK boasts a relatively high employment rate, but since part-time employment is common, the full-time equivalent employment rate is only slightly above OECD average.
- Labour market insecurity is slightly below the OECD average, mainly due to the low unemployment rate.
- The frequency of low incomes is close to average, but a relatively high proportion of working-age households are “jobless” or have low market incomes, with net incomes augmented by means-tested benefits.
- The gender income gap is slightly above average, due to women’s relatively lower annual hours of work, combined with a persistent gap in hourly earnings.
- Employment rates for several disadvantaged groups remain significantly below those of prime-age men, but the average gap is smaller than in many other countries: this is both a cause and a consequence of the relatively high overall employment rate.

**Looking ahead**

- Brexit may require some major labour market adjustments, as some sectors lose trade-related business and others lose migrant labour supply.
- The UK needs to improve skills among its existing workforce and transitions to work for youth. This is particularly urgent, given the projected increases in the effective minimum wage.
- The UK needs to tackle slow productivity growth, which is eroding earnings quality.

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