How does the UNITED STATES compare?

Employment Outlook 2018

Labour market developments in the United States

![Graph of Employment Rate and Real Hourly Wage](image)

**Note:** OECD weighted average (based on 29 OECD countries in Panel B, not including Chile, Iceland, Korea, Mexico, New Zealand and Turkey).

**Source:** OECD calculations based on OECD Economic Outlook Database (No. 103), June 2018, and quarterly national accounts.

**RECENT LABOUR MARKET TRENDS AND PROSPECTS**

Across the OECD countries, labour market conditions continue to improve and in the first quarter of 2018, the average employment rate was about 2 percentage points above its pre-crisis peak. OECD employment and unemployment rates are also projected to keep improving in 2018 and 2019. However, at 0.6% in the fourth quarter of 2017, the year-on-year growth rate of real hourly wages remained disappointingly low, almost one percentage point lower than before the crisis for similar levels of unemployment.

- The U.S. labour market has steadily improved since the crisis. The employment rate for the working age population stood at 63.2% at the end of 2017 compared to a low of 60.5% in the aftermath of the crisis. The U.S. employment rate has consistently remained above the OECD average over the past decade.

- Of particular salience for current debates about whether the U.S. labour market is at full employment, the employment rate remains below its peak during the last business cycle. At the end of 2007, the employment rate stood at 65.8% – 2 ½ percentage points above its current level.

- Further buttressing the debate on full employment, real wage growth remains weak. The U.S. experienced no year-over-year real wage growth in 2017 compared to 0.5% on average across the OECD. Considering the growth in the employment rate, there may be some recent erosion in the relationship between labour market tightness and wage growth.

**DEVELOPMENTS IN JOB QUALITY AND LABOUR MARKET INCLUSIVENESS**

Job quality and inclusiveness indicators show a mixed picture for the OECD countries. Improvement has occurred over the past decade, with a reduction in the gender gap in labour income, the employment gap for disadvantaged groups and the incidence of job strain – excessive job demands combined with insufficient resources. However, labour market insecurity is not yet back to pre-crisis levels and poverty has grown amongst the working-age population.

- The U.S. is slightly above the OECD average in terms of earnings quality which takes into account gross early earnings and earnings inequality. The U.S. quality-adjusted earnings rate was $17.70 per hour in 2017 compared to an OECD average of $16.80 and a high of $29.8 in Denmark.

- The low-income rate in the U.S. is one of the highest in the OECD. Defined as the share of the working-age population living with less than 50% of median household disposable income. The rate in the U.S. is 14.8% compared to an OECD average of 10.6%. The lowest rate is found in the Czech Republic at just 5.8%.

- The U.S. ranks slightly above average in terms of job strain, defined as the percentage of workers with high job demands and few resources to meet those demands at 25.8%. The worst performer is Greece with 47.9% compared to an OECD average of 27.5%.
Job quality and labour market inclusiveness: key indicators for the United States in 2016-2017

Note: An upward \( \uparrow \) (downward \( \downarrow \)) pointing arrow for an indicator means that higher (lower) values reflect better performance. Earnings quality: Expected net hourly earnings in USD adjusted for inequality by giving more weight to the lower end of the earnings distribution. Labour market insecurity: Percentage of workers in jobs with 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 per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men’s employment rate 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; % of the prime-age men’s rate).

Source and definitions: OECD calculations using data for 2017 or latest year available from various sources. See OECD Employment Outlook 2018, Ch. 1

- The United States ranks slightly below average in the gender labour income gap, which measures differences in earnings between men and women stemming from a combination of differences in participation rates, working hours or hourly wages. Women earn 39.5% less than men in the United States compared to an OECD average of 38.5%. Finland has the smallest gap of any OECD country with 21.4%.

EARLY PROVISION OF EMPLOYMENT SERVICES AFTER JOB LOSS CAN SPEED UP RE-EMPLOYMENT

Every year, between 1% and 7% of the workforce of OECD countries faces job loss due to economic reasons. Displaced workers find new jobs much more rapidly in some countries than in others, suggesting a key role for well-targeted policy. In particular, early employment support intervention during the notice period before the layoff occurs can greatly reduce the length of the unemployment spell.

- U.S. workers who lost their job for economic reasons still earn 6% less than those who did not 4 years after being laid off.
- Active labour market programme (ALMP) spending per unemployed person as a percentage of GDP per capita was only 4% in 2016 against 15% on average across OECD countries. The U.S. also utilises targeted programs (for example, for workers displaced by trade), but they receive little funding.

SKILL POLICY IS KEY TO ENSURE THAT WORKERS GET A GOOD SHARE OF PRODUCTIVITY GAINS

In half of the OECD countries the labour share – the share of national output going to labour – has continued to decline. In the OECD area, the labour share has lost more than 3 percentage points since 1995. The fall in the price of investment goods has propped up replacement of low-skilled labour with machines. However, the drop in the labour share has been modest in industries employing many workers with high numeracy- or problem-solving skills.

- The labour share fell around 8 percentage points in the United States between 1995 and 2013, compared to a little over 3 percentage points in covered OECD countries, including France, Italy and the United Kingdom.
- High-skilled workers may be more difficult to replace by machines or may be more easily re-deployed to non-routine tasks than low-skilled workers underscoring the importance of sound skills policies.

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