The 2016 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects, with a focus on vulnerable youth. It also contains chapters on: skills use at work; the short-term effects of structural reforms; and gender labour market gaps in emerging economies.

**Labour market developments in the United States**

<table>
<thead>
<tr>
<th>A. Employment rate</th>
<th>B. Unemployment rate</th>
<th>C. Incidence of long-term unemployment</th>
<th>D. Real wages</th>
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</thead>
<tbody>
<tr>
<td>Percentage of the population aged 15-74</td>
<td>Percentage of total labour force</td>
<td>Percentage of total unemployment</td>
<td>Real hourly wage, index 2007 Q4=100</td>
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</tbody>
</table>

Note: OECD weighted average


**RECENT LABOUR MARKET TRENDS AND PROSPECTS**

OECD labour market conditions continue to improve and the OECD average employment rate is projected to return to its pre-crisis level in 2017, nearly ten years after the global financial crisis erupted.

- The US is an exception to the general OECD trend in that employment as a share of the population aged 15-74 remains 3 percentage-points below its pre-crisis value in 2007. This reflects the fact that the participation rate has not bounced back following a sharp fall during the Great Recession, whereas participation rates are now above their pre-crisis level in the majority of OECD countries.

- The picture is sharply different when the recovery is assessed in terms of unemployment: the US unemployment rate, at 4.7% in May, has returned to its pre-crisis level, whereas the OECD average unemployment rate of 6.5% is still almost one percentage point above its level in the fourth quarter of 2007.

- Long-term unemployment (of one year or longer) has also come down sharply in recent years in the United States, after reaching a historical high of nearly one in three unemployed persons in 2009. Nonetheless, 18% of the unemployed in the fourth quarter of 2015 had been out of work for at least a year, as compared to a little under 10% in 2007.

- Wages had been stagnant in the United States until late 2014 when they accelerated somewhat. Overall, the cumulative increase in real hourly wages between the fourth quarters of 2007 and 2015 was slightly over 6% in the United States, similar to the OECD average. This represents a continuation of sluggish wage growth that pre-dates the recent crisis in the United States, whereas it represented a sharp deceleration in a number of other OECD countries. This was particularly notable in the United Kingdom, where wages at the end of 2015 were 26% below the level they would have been had they continued to grow as rapidly as they did during 2000-2007.

**SKILLS USE AT WORK**

Some countries are better than others at employing workers’ skills and this difference has
economic consequences. Among equally skilled workers, those making more frequent use of their skills at work earn higher wages and are more satisfied with their jobs. While employers have the primary responsibility to mobilise the competencies of their workers, governments can make use of a variety of policy tools to promote improved skills use.

- The literacy and numeracy skills of US workers are very much in the middle of the pack when compared with those of workers in other OECD countries. However, US workers make fuller use of their skills while at work than do workers in most other OECD countries, including those where workers score better in terms of skills proficiency.
- For example, the literacy skills of Japanese workers are superior to those of their US counterparts, but US workers make greater use of reading skills at work. This implies that US employers are more successful than Japanese employers at placing workers into jobs where they can best use their skills or in organising work so as to allow workers to better apply their skills when performing their work.
- Even though employers play the main role in determining how effectively workers’ skills are used at work, the OECD report shows that governments can nudge employers to improve skills use. Australia, the Netherlands and New Zealand, for example, have all introduced programmes to encourage employers to adopt “High-Performance Work Practices” (HPWP), such as team work and incentive pay, that research has shown result in improved skill use. A modest increase in the minimum wage can also motivate employers to better use the skills possessed by their workforce.

**Skills use can differ from skills proficiency**

<table>
<thead>
<tr>
<th>Working population aged 16-65</th>
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<tr>
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<tr>
<td><strong>Literacy</strong> (left axis)</td>
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<tr>
<td>United States</td>
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<tr>
<td>Japan</td>
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<tr>
<td>OECD</td>
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</table>

Proficiency in literacy (0-500 score points) and reading at work (1 “Never” to 5 “Everyday”).


**VULNERABLE YOUTH ARE OF PARTICULAR CONCERN**

Young people who are neither employed nor in education or training (“NEETs”) risk being left permanently behind in the labour market. This risk is especially high for low-skilled NEETs (i.e. those who have not finished upper secondary schooling). Many in this group live in households without any employed adults, suggesting that they are also at risk of poverty. Effective policies are needed to reconnect members of this group with the labour market and improve their career prospects.

- Overall, 14.4% of young people were NEET in the US in 2015, very close to the OECD average of 14.6% but higher than in countries like Germany (8.8%) and Japan (9.5%)
- However, the United States has relatively few low-skilled NEETs. This group represents just 3.3% of all young people aged 15-29 compared with an OECD average of 5.6% and a 14% share in Mexico. They account for only about one in four young NEETs in the US compared with more than one in three on average for all OECD countries.
- While low-skilled NEETs are a relatively small group in the United States, they tend to be very disadvantaged. Second-chance programmes, such as the Jobs Corps, can improve the long-term prospects of this group, albeit at a relatively high cost.

**Low-skilled NEETs are a particularly vulnerable group**

Percentage of youth population aged 15-29, 2015

Note: Low-skilled NEETs are youth neither in employment nor in education or training who have not finished upper secondary schooling.

Source: OECD Employment Outlook 2016, Chapter 1.

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