This country note provides an overview of the labour market situation in the United Kingdom drawing on data from OECD Employment Outlook 2024. It also looks at how the transition to net-zero emissions by 2050 will affect the labour market and workers’ jobs.

Labour markets have been resilient and remain tight

Labour markets continued to perform strongly, with many countries seeing historically high levels of employment and low levels of unemployment. By May 2024, the OECD unemployment rate was at 4.9%. In most countries, employment rates improved more for women than for men, compared to pre-pandemic levels. Labour market tightness keeps easing but remains generally elevated.

- The unemployment rate in the United Kingdom, at 4.4% in March 2024, has increased by 0.5 percentage points over the course of the preceding year. It nevertheless remains half a percentage point below the OECD average. Participation and employment rates have fallen back somewhat over the course of the year falling 0.6 and 0.9 percentage points respectively. The United Kingdom is one of only three OECD countries – alongside Colombia and Costa Rica – in which the labour force participation rate remains below its pre-COVID-19 level by more than a percentage point. Participation rates among youth (aged 15-24) are 4 percentage points below pre-crisis rates. The OECD projects GDP growth will remain sluggish at 0.4% in 2024 before improving to 1.0% in 2025. Unemployment is predicted to continue increasing and reach 4.7% in 2025 as the labour market cools.

- In March 2024 the government announced a 2-pence cut to the rate of National Insurance Contributions (NICs) – both for employee and self-employed rates. These cuts come on the back of similar cuts in November. Despite these cuts, overall tax liability on income has increased for those at both the high and the low end of the income distribution, as a result of a multi-year freeze in income tax thresholds.

Real wages are up, but still have to make up lost ground

Real wages are now growing year-on-year in most OECD countries, in the context of declining inflation. They are, however, still below their 2019 level in many countries. As real wages are recovering some of the lost ground, profits are beginning to buffer some of the increase in labour costs. In many countries, there is room for profits to absorb further wage increases, especially as there are no signs of a price-wage spiral.

- Real wages have increased in the United Kingdom by close to 3.1% since the start of the pandemic. In line with the pattern observed across the OECD, there has been a clear wage compression in the United Kingdom. Real wage growth between Q4 2019 and Q1 2024, was stronger for low and mid-pay occupations, as well as for those with low and higher levels of education.
Figure 1. Unemployment rates remain at historically low levels in many countries

Unemployment rate (percentage of labour force), seasonally adjusted data

Note: The latest data refer to March 2024 for the United Kingdom, and June 2024 for Canada and the United States.
Source: OECD Employment Outlook 2024, Chapter 1.

Figure 2. Real wages remain below 2019 levels in most countries

Note: * For Canada, Japan, Korea and Mexico, the annual growth refers to Q4 2022-Q4 2023 and the cumulative percentage change to Q4 2019-Q4 2023. OECD is the unweighted average of 35 OECD countries (not including Chile, Colombia and Türkiye).
Source: OECD Employment Outlook 2024, Chapter 1.

Climate change mitigation will lead to substantial job reallocation

The ambitious net-zero transitions currently undergoing in OECD countries are expected to have only a modest effect on aggregate employment. However, some jobs will disappear, new opportunities will emerge, and many existing jobs will be transformed. Across the OECD, 20% of the workforce is employed in green-driven occupations, including jobs that do not directly contribute to emission reductions but are likely to be in demand because they support green activities. Conversely, about 7% is in greenhouse gas (GHG)-intensive occupations.
• In the United Kingdom, 19.4% of the workforce is employed in green-driven occupations – around the OECD average of 20%. Of these green-driven occupations, and in line with the OECD average, only 13.7% are truly “green new or emerging occupations”. Conversely, about 4% of employment is in emission-intensive occupations – this is among the lowest in the OECD (the average is 7%).

• The highest share of green-driven occupations can be found in West Midlands, while the highest share of GHG-intensive occupations can be found in Northern Ireland.

The projected changes associated with the net-zero transitions should be contrasted with the employment costs of inaction on addressing climate changes.

• Typically workers in outdoor occupations and workers in process and heavy industries, risk suffering from heat discomfort. While below the OECD average, 11% of workers in the United Kingdom suffer from significant heat discomfort. This can have potential negative effects on their health and productivity.

Figure 3. One out of five workers is employed in green-driven occupations, but only a fraction of them are in new and emerging occupations

Percentages, average 2015-19

Source: OECD Employment Outlook 2024, Chapter 2, Figure 2.3.

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