

UNITED KINGDOM

Employment rates are high but there has been little convergence of GDP per capita or labour productivity in recent years, leaving a still large gap vis-à-vis the best performing countries. Incentives for labour market participation have been strengthened, but more needs to be done, notably in the following areas.

Priorities supported by indicators

Further reform disability benefit schemes

The number of disability-related benefit recipients as a percentage of the working age population has fallen slightly but remains high in international comparison, particularly among prime-age men.

Actions taken: After a trial period covering 40 per cent of the country, the Pathways to Work programme for new claimants was rolled out across the whole country in April 2008. A White Paper was issued in December 2008 that proposed a broadening of the reforms to all claimants. New welfare legislation replaced the current system of incapacity benefits with a simplified disability employment allowance at the end of 2008.

Recommendations: Continue with the plans to extend the Pathways to Work scheme to all existing claimants rather than just new claimants. Limit the number of those entering the incapacity benefit scheme by monitoring the health status of applicants earlier than the mandated 13 weeks.

Improve the education achievement of young people

Performance of young people on international tests of cognitive ability is low and the share of students leaving school before completion of upper-secondary education remains high, adversely affecting productivity performance. Moreover, the variation in performance across schools is large in comparison with other OECD countries.

Actions taken: The Education Maintenance Allowance has helped to raise education participation of 16 and 17-year-olds and the Education and Skills Act will gradually phase in a higher school leaving age from 2013. New diplomas for 14 to 19-year-olds will be gradually introduced from 2008.

Recommendations: Raise participation in quality early-childhood education. Put more emphasis on the acquisition of core literacy and numeracy skills. Reduce the focus on testing and targets and ensure adequate support for weak students and schools, including by promoting a more equitable allocation of funding across schools and pupils. Evaluate returns to the new diplomas carefully.

Improve public infrastructure, especially for transport

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

Actions taken: Transport investment has picked up slightly in recent years, and further increases have been announced as part of measures to address the economic crisis. Reforms to the management of the rail network are ongoing, road pricing trials are underway and plans to increase the efficiency and the capacity of airports have been announced.

Recommendations: Follow through with targeted spending in key strategic growth areas and ensure that investment does not fall below the levels envisaged in the Government's 2000 Ten Year Plan for Transport. Continue with preparations for a national road pricing scheme.

Other key priorities

- **Public sector efficiency.** Improve the efficiency of health and other publicly-funded services so that higher expenditure results in higher standards of service delivery. Design all public sector targets in a way that limits the potential for gaming, by ensuring a more interactive and dynamic performance management system.
- **Planning regulations.** Improve planning regulations so that they give more weight to economic considerations and encourage firm entry. Free up more land for both commercial and housing development by reconsidering the boundaries of the "green belts" in fast-growing areas, and consider other ways to improve incentives for land development.

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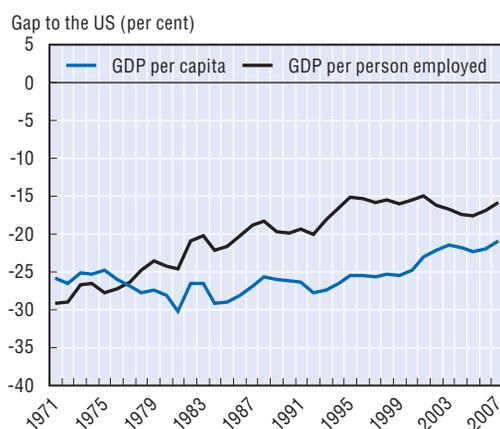
Structural indicators

Average annual trend growth rates, per cent

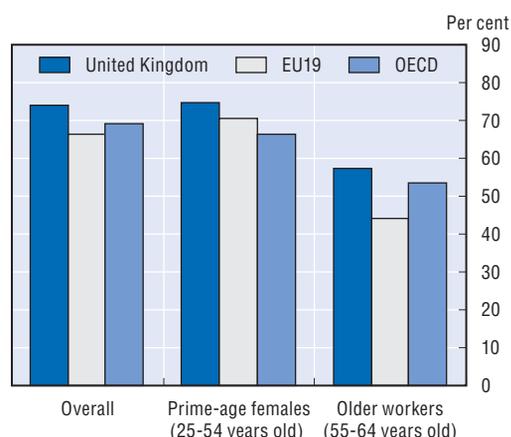
	1997-2007	1997-2002	2002-2007
GDP per capita	2.2	2.6	1.9
Labour utilisation	0.1	0.2	0.0
of which: Employment rate	0.5	0.6	0.3
Average hours	-0.4	-0.4	-0.4
Labour productivity	2.1	2.4	1.9
of which: Capital intensity	1.1	1.2	1.0
Multifactor productivity	1.0	1.1	1.0

Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

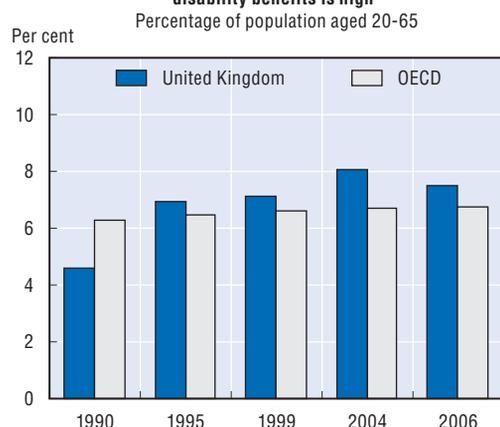
A. There has been a slow convergence of GDP per capita¹



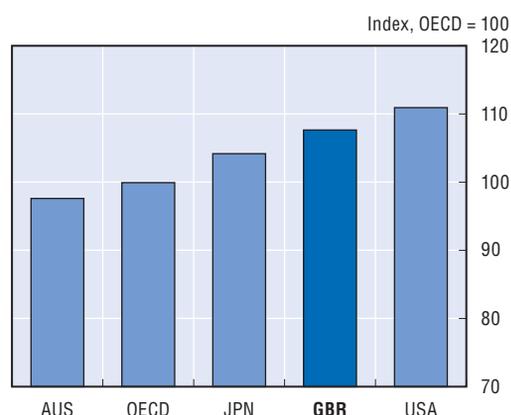
B. Employment rates are high, 2007



C. The share of working-age population receiving disability benefits is high²



D. The variation in student performance is high, 2006³



- Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).
- Disability benefits include benefits received from schemes to which beneficiaries have paid contributions (contributory), programmes financed by general taxation (non-contributory) and work injury schemes.
- Average variance in student performance in mathematics, science and reading (only mathematics and science for the United States).

Source: Chart A: OECD, National Accounts Database; Chart B: OECD, Labour Force Statistics Database; Chart C: OECD (2003), Transforming Disability into Ability and OECD estimates; Chart D: OECD, PISA 2006 Database.

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