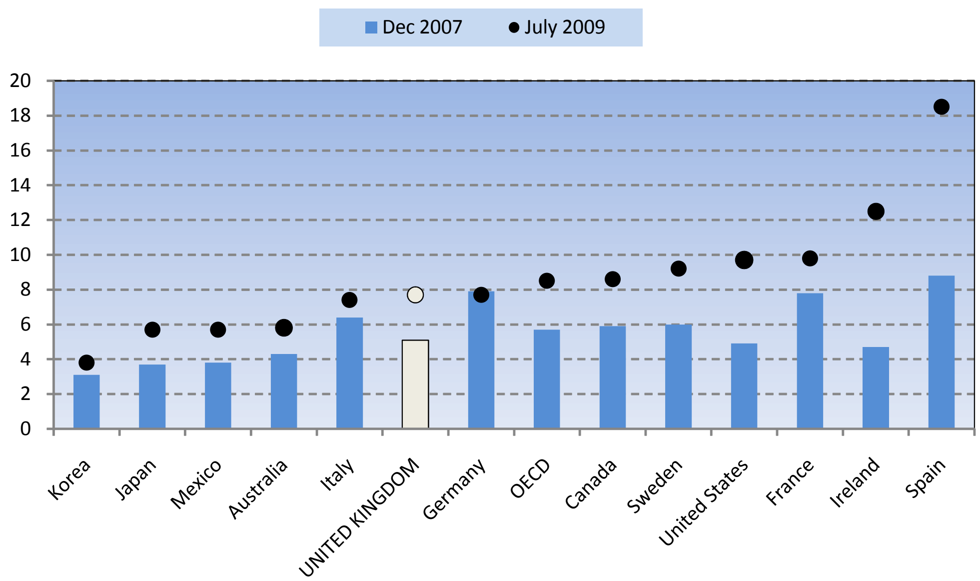
Employment Outlook 2009 – How does the UNITED KINDOM compare?

Despite signs that the recession is slowing or even ending in the United Kingdom as well as in other OECD countries, the ***OECD Employment Outlook 2009*** **indicates that the early stages of the economic recovery are likely to be too muted to result in strong job creation**. As a result, the UK unemployment rate, which reached 7.9% in the three months to July 2009, is expected to continue to rise in the coming months and to remain at a high level through 2010. The average unemployment rate for the OECD area reached a post-war high of 8.5% in July and may approach 10% in the coming months.

Unemployment has risen about as sharply in the United Kingdom as it has in the OECD area as a whole. The 2.7 percentage-point increase in the UK unemployment rate since December 2007 is nearly identical to the average rise for the OECD area (Figure 1). The recent upsurge in unemployment has been much sharper in several other countries where the banking and housing sectors also suffered strong reversals, in particular, Spain, Ireland and the United States. By contrast, the rise in unemployment has been modest in a number of European countries, including large economies such as Germany and Italy.

Figure 1. **Unemployment rates in December 2007 and July 2009 in selected countries**

Percentage of the labour force



Note: Final month available is: March 2009 for Italy, May 2009 for the United Kingdom and August for Canada and the United States.

Source: OECD.

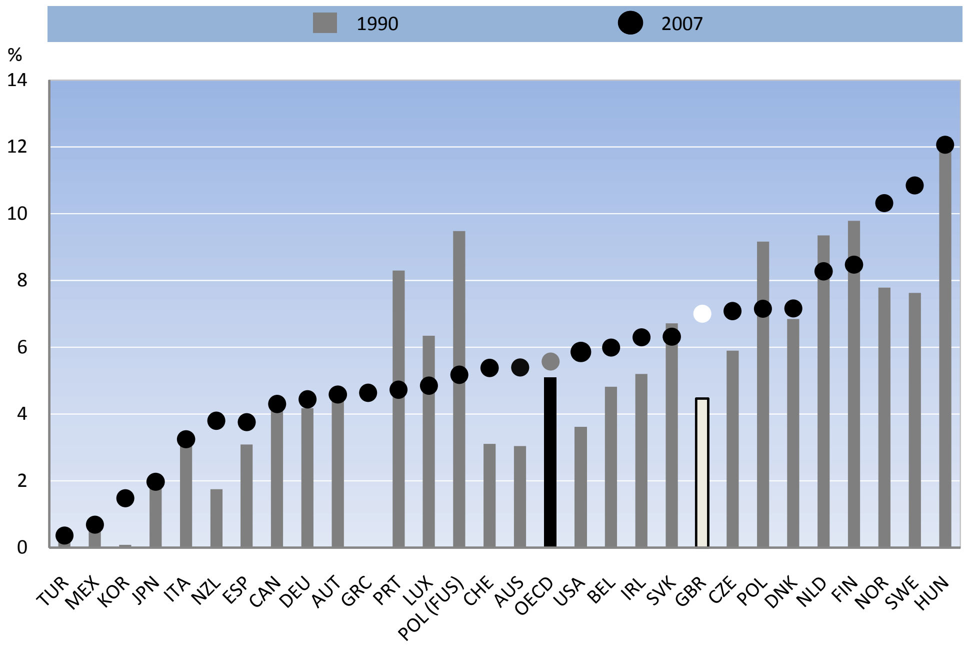
Youth have been particularly affected by deteriorating labour market conditions. Whereas the overall unemployment rate in the United Kingdom rose by 2.3 percentage points during the past year, the increase was much larger for young workers: 8.3 percentage points for 16-17 year olds and 4.6 percentage points for 18 to 24 year olds. The *OECD Employment Outlook* shows that this is consistent with a widespread pattern across OECD countries, according to which already relatively disadvantaged groups in the labour force —youth, but also the low-skilled, immigrants and ethnic minorities— are bearing the brunt of rising unemployment.

The United Kingdom has reinforced re-employment assistance for the unemployed. The OECD report emphases the danger that workers made redundant during the downturn will drift into long-term unemployment and inactivity, as happened during the 1980s and 1990s recessions. It is encouraging that OECD governments have moved more forcefully to reinforce re-employment assistance for job seekers than in earlier recessions. For example, the UK government has implemented a new subsidised jobs programme for young people and jobseekers in areas of high unemployment to work in local authorities and other community organisations. Unlike a number of European countries, the UK government has not emphasised short-time work schemes intended to limit the number of redundancies, such as the Kurzarbeit programme in Germany.

The recession makes it particularly important to help workers with health problems to remain in employment. The share of the UK working-age population receiving invalidity benefits drifted upward from 4.5% in 1990, somewhat below the OECD average of 5.1%, to 7% in 2007, somewhat above the OECD average rate of 5.6% (Figure 2). Since workers entering invalidity benefit schemes only rarely return to employment, it is particularly important to make every effort to assist job losers with health problems to re-integrate into employment. It is encouraging that governments in the UK and a number of other OECD countries have redoubled their efforts to assure that the global recession does not permanently exclude workers with health problems from the labour market.

Figure 2. **Trends in disability benefit recipiency rates in OECD countries, 1990-2007**

Percentage of working-age population



Source: *OECD Employment Outlook 2009*, p. 215.

OECD Employment Outlook 2009 is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on the United Kingdom, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@oecd.org) or Paul Swaim (tel: +33 1 45 24 19 77, e-mail: paul.swaim@oecd.org) from the OECD Employment Analysis and Policy Division.