



OECD Employment Outlook 2012

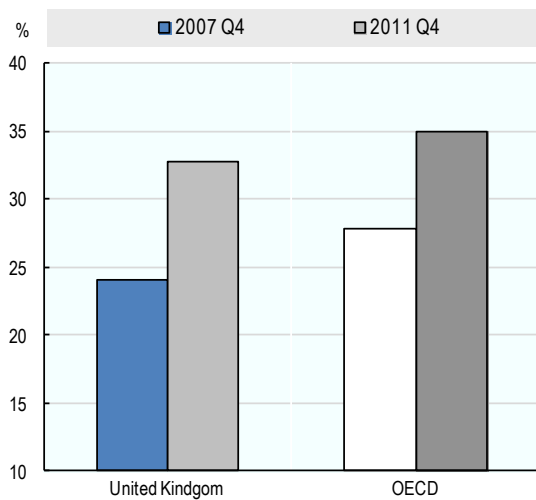
How does the United Kingdom compare?

The UK economy has been broadly flat over the past two years. Employment has risen slightly, while the unemployment rate has stayed close to 8%. Projections in the 2012 OECD *Employment Outlook* foresee some increase in the unemployment rate that could even reach 9% in 2013. The situation is less favourable in the euro area, where the unemployment rate rose to 11.1% in May 2012, and more favourable in the United States, where the unemployment rate has fallen back close to 8%, after reaching a peak at nearly 10% at the end of 2009.

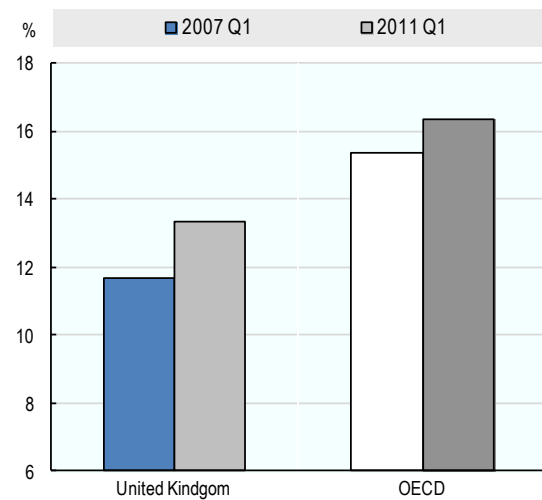
Structural indicators of labour market performance are also mixed. The *Outlook* finds some evidence of an increasing mismatch between job applicants and available vacancies since the trough of the recession. Although a little lower than the OECD average, the share of all unemployed who have been out of work for 12 months or more has risen quite sharply in the United Kingdom since 2007, reaching nearly one in three. For youths (aged 15-24), the unemployment rate recently reached 20%, its highest level since the 1980s. The share of youth who are neither in employment nor in education or training (NEET) has also risen in the United Kingdom. For older workers (55-64), the unemployment rate remains at a relatively low 5%, in line with international experience that older-worker employment rates held up well in the recession.

Long-term unemployment and NEET rate: United Kingdom vs. OECD

Incidence of long-term unemployment
As a percentage of total unemployment, 2007 Q4-2011 Q4



NEET rate
Percentage of population aged 15-24, 2007 Q1-2011 Q1



a) OECD is a weighted average. OECD incidence of long-term unemployment includes 32 countries (excluding Chile and Korea) and OECD NEET rate includes 30 countries excluding Chile, Israel, Japan and Korea).

b) Persons unemployed for 12 months or more.

Source: OECD estimates based on *OECD Main Economic Indicators*, *OECD Labour Force Statistics Databases* and national labour force surveys.



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Major changes to labour market programmes are being introduced in a challenging labour market environment. The UK Work Programme has recently finished its first year of operation. Together with the Universal Credit, it represents the UK Government's central strategy for tackling long-term benefit dependency and its budgetary cost through more effective back-to-work assistance. The Work Programme greatly increases the role of private service providers and payment by results, within a context of a much stronger focus on long-term outcomes and the delivery of a comprehensive range of services. It was recognised at the outset that the performance targets for providers are challenging and it will be important to monitor whether they need to be adapted in light of the currently difficult labour market conditions.

The labour share of national income has declined in the United Kingdom. The *Outlook* presents new evidence showing that the share of national income represented by wages, salaries and benefits – the labour share – has declined since 1990 in nearly all OECD countries. A declining wage share may raise equity concerns, especially since the recent decline particularly affects the lower part of the earnings distribution. The labour share in the United Kingdom, at nearly 75% in 1990 and slightly above 70% in 2007, has nevertheless remained higher than in most other countries. It is not clear that governments should try to reverse the decline in the labour share. While a weakening of workers' bargaining power may be partly responsible, new analysis by the OECD indicates that the main factors that are causing the broad trend towards a declining wage share, such as globalisation and ICT-driven technological change, are also important drivers of overall economic growth. Well-designed tax-transfer policies and especially policies to promote human capital and employability of the low-skilled can go a long way to ensure that the benefits of growth are more widely shared.

OECD Employment Outlook 2012 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 Mark Keese (tel: +33 1 45 24 87 94 or e-mail: mark.keese@oecd.org) or David Grubb (tel: +33 1 45 24 91 76 or e-mail: david.grubb@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: <http://www.oecd.org/employment/outlook>.