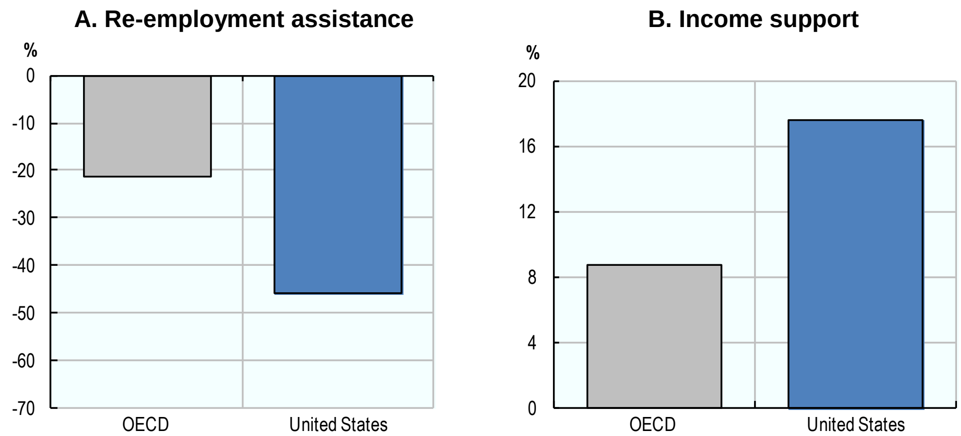
OECD Employment Outlook 2012

How does the United States compare?

The US labour market continues its slow recovery from the 2008-09 recession, but the unemployment rate remains significantly higher than before the financial crisis. At 8.2% in June, the unemployment rate in the United States is substantially below its recessionary peak near 10%. According to the projections reported in the 2012 OECD *Employment Outlook*, the unemployment rate will continue to decline gradually through the fourth quarter of 2013, when it will reach 7.4%. While high joblessness is slowly receding in the United States, the situation is less favourable in the euro area where unemployment has risen to 11.1% in May 2012.

Spending on re-employment assistance has not kept pace with the increase in the number of unemployed job seekers. The OECD report finds that nearly one in three unemployed workers in the United States have been out of work for a year or more, whereas only about one in ten unemployed workers were jobless that long prior to the recent recession. At a time when jobs are particularly difficult to find, it is also troubling that government spending on re-employment assistance for the unemployed has lagged behind the rise in unemployment. As a result, there has been a nearly 50% decrease in the resources available to help each unemployed job seeker (see figure). The same pattern is observed in some other OECD countries, but the reduction in re-employment assistance per unemployed person has been particularly sharp in the United States.

The change in labour market spending in real terms per unemployed person, 2007-10
Percentage changes in the United States and the OECD area[a]



a) OECD is the weighted average of 26 countries (all OECD countries except Chile, Estonia, Iceland, Israel, Korea, Slovenia, Turkey and the United Kingdom).
Source: OECD estimates based on the *OECD Labour Market Programmes* and *OECD Main Economic Indicators Databases*.

US spending on unemployment insurance benefits has been much more responsive to rising needs. The *Employment Outlook* shows that government spending on income support for the unemployed (principally unemployment insurance benefits) has expanded more than proportionately with the rise in unemployment, so that spending on income support per unemployed person has risen by 18% in real terms since 2007, as compared to a smaller average increase of 9% for all OECD countries. The greater responsiveness of income support spending in the United States reflects a series of Federal laws that temporarily increased the generosity of the unemployment insurance system, principally by raising the maximum duration of benefit receipt from the usual limit of 26 weeks to as much as 99 weeks in some states. Those increases have been partially phased out and are currently scheduled to expire at the end of 2012. Since labour market conditions remain difficult, the OECD cautions against a too rapid reduction in labour market spending despite the need to progressively reduce public deficits.

Workers' share of national income has been falling in the United States. 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, including the United States. The cumulative decline in the US labour share during the past 40 years has been somewhat below the OECD average (2.6 percentage points as opposed to 3.8 percentage points), but this decline has accelerated since 2000 in the United States. Even as the overall income share of American workers has been falling, the share of the top 1% of earners has been rising sharply. A declining wage share may raise equity concerns, especially since the decline particularly affects the lower part of the earnings distribution. It is not clear that governments should try to reverse the decline in the labour share. 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. However, 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 the benefits of growth are more widely distributed.

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 States, journalists are invited to contact Mark Keese (tel: +33 1 45 24 87 94; e-mail: mark.keese@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. For further information: http://www.oecd.org/employment/outlook.