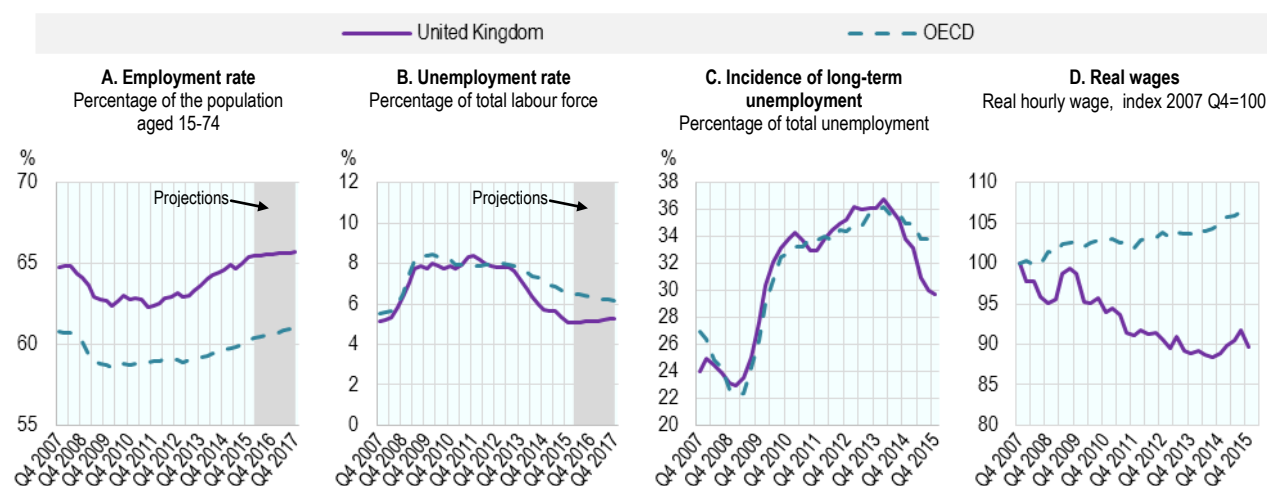


The 2016 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects, with a focus on vulnerable youth. It also contains chapters on: skills use at work; the short-term effects of structural reforms; and gender labour market gaps in emerging economies.

[DOI: 10.1787/empl_outlook-2016-en](https://doi.org/10.1787/empl_outlook-2016-en)

Labour market developments in the United Kingdom



Note: OECD weighted average. Projections were prepared prior to the EU referendum vote.

Source: OECD Economic Outlook No 99, June 2016, <http://dx.doi.org/10.1787/9572784d-en>; OECD Employment database

(www.oecd.org/employment/database); OECD calculations based on quarterly national accounts.

RECENT LABOUR MARKET TRENDS AND PROSPECTS

OECD labour market conditions continue to improve and the OECD average employment rate is projected to return to its pre-crisis level in 2017, nearly ten years after the global financial crisis erupted. The recovery remains very uneven across both countries and different groups within the workforce. Real wage growth has also been relatively slow since 2007, raising concerns about a prolonged period of wage stagnation.

- The UK's short-term labour market prospects are likely to be negatively affected by the recent referendum decision to leave the EU. OECD estimates suggest that Brexit could cut real GDP growth by 0.5 percentage points in both 2017 and 2018, and that by 2020 the cumulated loss in GDP could be 3 percent (Kierzenkowski et al. 2016).
- Brexit therefore represents a cloud over the UK's recent ability to create jobs. Since 2012, the proportion of the working-age population in work has grown strongly to a record level.
- Consequently, unemployment has fallen to 5.0% of the labour force, its lowest level since 2005.

- Unemployment benefit claims have fallen by more than half since early 2013, pushed down partly by the 2014-2015 "Help to Work" programme which focused on the long-term unemployed. However, a declining proportion of all unemployed are on an unemployment benefit, although they may get other benefits.
- Average hourly real wages fell by more than 10% after 2007, and have only recovered slightly as the labour market strengthened in 2015. From April 2016, a new higher minimum wage rate applies for adults aged 25 and over.
- The disappointing growth in real wages partly reflects weak labour productivity growth of only 2% from 2010 to 2015, the smallest increase in the OECD after Hungary, Italy and Greece. This may be linked to the growth in jobs with low-hours and intermittent work. Any decline in foreign direct investment in the UK that may result from Brexit could further worsen this poor productivity performance.

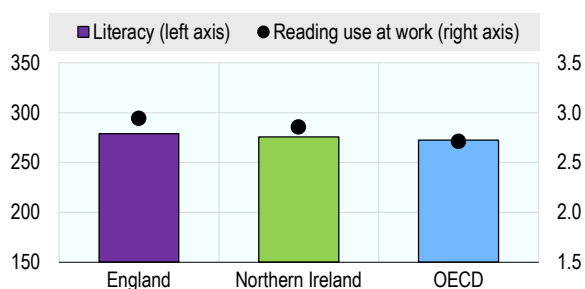
SKILLS USE AT WORK

The UK's productivity performance could be boosted by improving the skills of its workforce but also through better use of the skills of workers. Analysis of the results of the OECD's Survey of Adult Skills shows that among equally skilled workers, those making more frequent use of their skills at work earn higher wages and are more satisfied with their jobs.

- The reading skills of workers in England and Northern Ireland are slightly above the OECD average when measured in a test of their literacy proficiency. However, the UK is falling behind its major competitors in its workforce skills. The proficiency of younger people in literacy or numeracy is much lower in the UK than in many other OECD countries. Ensuring that new labour market entrants have the skills needed in an increasingly knowledge-driven economy remains a key challenge for the UK.
- The UK performs better in international comparisons in terms of using information-processing skills more intensively at work. For example, the UK ranks among the top quarter of OECD countries in the use of reading skills at work. High Performance Work Practices (HPWP) contribute to greater skill use at work and ultimately to higher productivity. The uptake of these practices by firms should be actively promoted. Australia, the Netherlands and New Zealand, for example, have all introduced programmes to encourage employers to adopt HPWP.

Skills use can differ from skills proficiency

Working population aged 16-65



Note: Proficiency in literacy is scored from 0-500 and different reading tasks at work are each scored from 1 "Never" to 5 "Everyday".
Source: OECD Employment Outlook 2016, Chapter 2.

- Skill use at work is changing as a result of digitalisation and the expanding set of tasks that can be performed by computers and robots. The 2016 Employment Outlook provides new estimates of the proportion of jobs that are at risk of complete automation in the next 10 to

20 years. For the UK, this proportion is around 10%, close to the average of 12% for the other OECD countries included in these estimates and much lower than earlier estimates of between 30-50% of jobs. However, it also finds that jobs for which 50% or more of the tasks performed could be automated account for around 35% of all current jobs in the UK. Not all these jobs will disappear but they will undergo major change, requiring better access to training opportunities for workers in these jobs to update their skills or learn new ones.

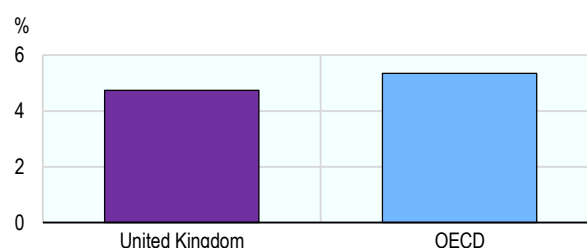
VULNERABLE YOUTH ARE OF PARTICULAR CONCERN

Young people who are neither employed nor in education or training ("NEETs") risk being left permanently behind in the labour market. This risk is especially high for the relatively large share of low-skilled NEETs (i.e. who have not finished upper secondary schooling). Many in this group live in households without any employed adults, which may put them at risk of poverty. Effective policies are needed to reconnect members of this group with the labour market.

- In the United Kingdom, the proportion of young people who are low-skilled NEETs (4.7%) is below the OECD average of 5.6%.
- However, nearly 60% of these NEETs live in jobless households, the highest proportion among EU countries. The proportion of non-NEET youth who live in jobless households is close to the EU average, of below 10%.

Low-skilled NEETs are a particularly vulnerable group

Percentage of youth population aged 15-29, 2015



Note: Low-skilled NEETs are youth neither in employment nor in education or training who have not finished upper secondary schooling.

Source: OECD Employment Outlook 2016, Chapter 1.

References

Kierzenkowski, R., N. Pain, E. Rusticelli and S. Zwart (2016), "The Economic Consequences of Brexit: A Taxing Decision", *Economic Policy Papers*, No. 16, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/5jm0lsvdkf6k-en>

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