UNITED KINGDOM

- The GDP per capita gap relative to best performing OECD countries, which started to widen in the early 2000s, shows signs of stabilising, or even narrowing. Productivity remains below its pre-crisis level.

- Actions have been taken in most recommended reforms, such as strengthening work incentives by reviewing the welfare system, youth employability and skills by expanding compulsory education, training and apprenticeships, and public sector efficiency by reforming public healthcare.

- Further action is warranted to improve education outcomes and equity, strengthen active labour market policies, enhance the effectiveness of the planning regime and improve public infrastructure.

- Improved equity in education and skills among young people, in association with stronger and better active labour market policies can increase employment and reduce income inequality. Introducing user pricing in road transport can optimise infrastructure use and contribute to greener growth.

Growth performance indicators

A. Average annual trend growth rates
Per cent

		2003-08	2008-13
Potential GDP per capita		1.6	0.5
Potential labour utilisation		0.1	0.1
of which:	Labour force participation rate	0.2	0.2
	Employment rate[1]	-0.1	-0.1
	Trend employment coefficient[2]	0.0	0.0
Potential labour productivity		1.5	0.5
of which:	Capital deepening	1.3	0.9
	Labour efficiency	-0.1	-0.7
	Human capital	0.3	0.3

B. The gap in GDP per capita is stabilising
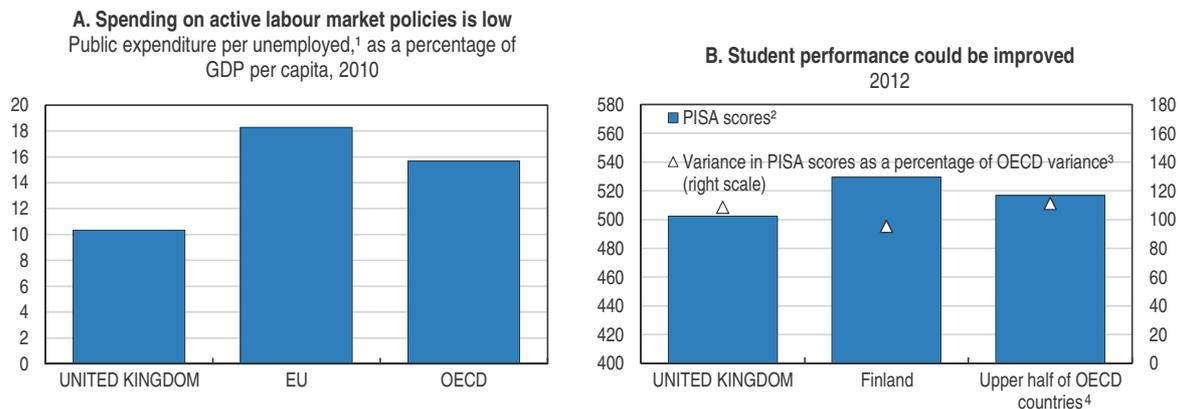Gap to the upper half of OECD countries[3]
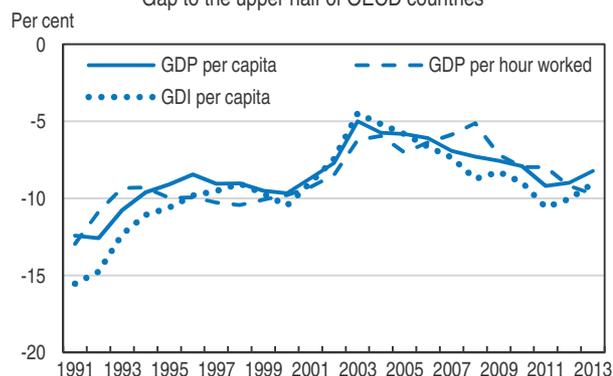
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

StatLink ᴍꜱᴩ *http://dx.doi.org/10.1787/888933178006*

UNITED KINGDOM

Policy indicators

A. Spending on active labour market policies is low
Public expenditure per unemployed,[1] as a percentage of GDP per capita, 2010

B. Student performance could be improved
2012

1. 2012 data for OECD and EU averages.
2. Average of PISA scores in mathematics, science and reading.
3. OECD = 100. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
4. Upper half of OECD countries in terms of PISA scores in mathematics, science and reading and in terms of the total variance as a percentage of the OECD variance.

Source: Panel A: OECD, *Public expenditure and participant stocks on LMP and Economic Outlook Databases.* Panel B: OECD (2013), *PISA 2012 Results: Excellence through Equity (Volume II): Giving Every Student the Chance to Succeed*, PISA, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264201132-en*; and OECD (2014), *PISA 2012 Results: What Students Know and Can Do (Volume I, Revised edition, February 2014): Student Performance in Mathematics, Reading and Science*, PISA, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264208780-en*.

StatLink ⟐ *http://dx.doi.org/10.1787/888933178439*

Going for Growth 2015 priorities

Priorities supported by indicators

Improve outcomes and equity in education.   Student performance is below the OECD average and is uneven across social groups.

Actions taken: Compulsory participation in education or training was extended to age 18 (2013/14). The Pupil Premium to help with the education of pupils from disadvantaged background was further increased over the period 2013-14. Apprenticeship funding through the Apprentice Grants for Employers was further increased in Budget 2014.

Recommendations: Monitor the impact of previous reforms such as the Education Act 2011 on the average quality of education outcomes and equity across social groups. Encourage the expansion of high quality postsecondary vocational programmes.

Strengthen work incentives and active labour market policies.   Spending on active labour market policies is significantly below the OECD average. The share of young people not in employment, education or training (NEET) is relatively high, especially among young people with low education.

Actions taken: As a result of earlier reforms, the share of population receiving disability benefits and the number of weeks lost due to sickness leave have fallen. Universal Credit, a welfare reform aimed at increasing work incentives, is being introduced gradually since 2013.

UNITED KINGDOM

Recommendations: Implement the Universal Credit and monitor its effectiveness in moving people towards employment. Increase spending on active labour market policies and improve their efficiency by fostering competition among contracted providers, better profiling customers and developing a performance measurement system. Further reduce the cost of childcare to increase work incentives for parents.

Strengthen public sector efficiency.   Public sector efficiency is low compared to other OECD countries.

Actions taken: A Better Care Fund, providing funding to local governments to join up health and care services was announced in June 2013. Expenditure-based fiscal consolidation with cuts in public sector employment has continued hence contributing to greater efficiency in the delivery of public services, but health and education have been spared from adjustments.

Recommendations: Monitor the impact of healthcare reform and, if needed, take additional measures to increase efficiency in the health care sector.

Other key priorities

Enhance the effectiveness of land planning regulation.   Stringent planning regulation complicates construction development.

Actions taken: The Nationally Significant Infrastructure Planning regime was extended to business and commercial projects in the Growth and Infrastructure Act 2013.

Recommendations: Closely monitor the effectiveness of the new National Planning Policy Framework, introduced in 2012, in accelerating the planning permissions process and approval rate and take further steps if needed.

Improve public infrastructure.   Congestion is high in the road transport network and the quality of the infrastructure stock is perceived as suboptimal.

Actions taken: A list of infrastructure projects continues to be published in the National Infrastructure Plan.
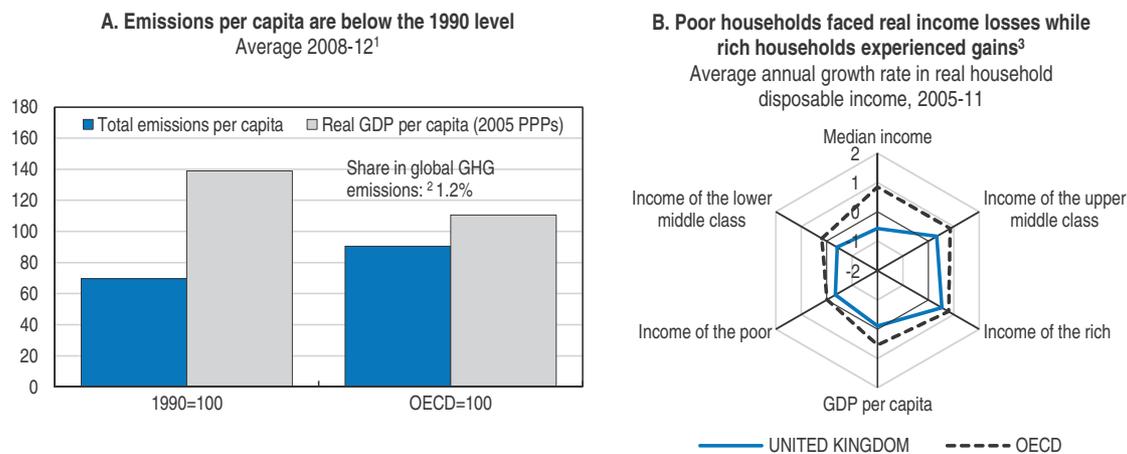
Recommendations: Further prioritise public infrastructure investment and continue to increase access to private financing. Move towards user pricing, especially in areas where negative environmental externalities exist, such as road transport.

Reform areas no longer considered a priority in *Going for Growth*

For the United Kingdom, all priority areas from the 2013 issue of *Going for Growth* are maintained.

UNITED KINGDOM

Beyond GDP per capita: Other policy objectives

A. Emissions per capita are below the 1990 level
Average 2008-12[1]

Share in global GHG emissions:[2] 1.2%

Legend: Total emissions per capita | Real GDP per capita (2005 PPPs)

x-axis: 1990=100 | OECD=100

B. Poor households faced real income losses while rich households experienced gains[3]
Average annual growth rate in real household disposable income, 2005-11

UNITED KINGDOM ----- OECD

1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and *United Nations Framework Convention on Climate Change (UNFCCC) Database*. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink *http://dx.doi.org/10.1787/888933178863*